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December 17, 2009

South Dakota Secretary of State
State Capitol, Suite 204
Business Division-Bond
Information Statement Filing
500 East Capitol
Pierre, SD 57501-5070

Re: $18,255,000 City of Sioux Falls, South Dakota Sales Tax Revenue Bonds, Series 2009B-1

$13,285,000 City of Sioux Falls, South Dakota Taxable Sales Tax Revenue Bonds (Recovery Zone Economic Development Bonds), Series 2009B-2

Dear Filing Officer:

Enclosed for filing is a Bond Information Statement for the above-referenced transaction, together with a check for the $10.00 filing fee. A copy of the Official Statement for the above-referenced offering is also enclosed for your reference.

Please return acknowledgment of filing at your earliest opportunity. If you have any questions, please call me at 612.371.3909.

Very truly yours,

Erin E. Daniels

Erin E. Daniels
Legal Assistant

Enclosure

RECEIVED
DEC 21 2009
S.D. SEC. OF STATE

BOND INFORMATION STATEMENT
State of South Dakota
SDCL 6-8B-19

Return:

Secretary of State
State Capitol
500 E. Capitol
Pierre, SD 57501-5077

FILING FEE: $10.00

TELEPHONE: (605) 773-3537

Every public body, authority, or agency issuing any general obligation, revenue, improvements, industrial revenue, special assessment, or other bonds of any type shall file with the Secretary of State a bond information statement concerning each issue of bonds.

1. Name of issuer: City of Sioux Falls, South Dakota

2. Designation of issue: Sales Tax Revenue Bonds, Series 2009B-1 and Taxable Sales Tax Revenue Bonds (Recovery Zone Economic Development Bonds), Series 2009B-2

3. Date of issue: December 17, 2009

4. Purpose of issue: See attachment.

5. Type of bond: Sales Tax Revenue and Taxable Sales Tax Revenue

6. Principal amount and denomination of bond: $31,540,000 in $5,000 denominations

7. Paying dates of principal and interest: May 15 and November 15 commencing May 15, 2010

8. Amortization schedule: See Official Statement.

9. Interest rate or rates, including total aggregate interest cost: See Official Statement.

This is to certify that the above information pertaining to the bond is true and correct on this 17th day of December, 2009.

Tom Hennies
Asst City Finance Director

RECEIVED
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1978202

TWO NEW ISSUES / BOOK ENTRY ONLY **Rating: Moody's "As3"**

In the opinion of Lindquist & Vennum P.L.L.P., Bond Counsel, according to federal laws, regulations, rulings and decisions in effect on the date of issuance of the Series 2009B-1 Bonds, the interest to be paid on the Series 2009B-1 Bonds is not includable in gross income for federal income tax purposes except under certain conditions. Interest paid on Series 2009B-1 Bonds is not an item of tax preference includable for purposes of computing the alternative minimum tax applicable to all taxpayers, including individuals, under the Internal Revenue Code of 1986 (the "Code"), however, interest paid on the Series 2009B-1 Bonds is not includable in adjusted current earnings in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax.. Interest on the Series 2009B-1 Bonds is includable in gross income for South Dakota income tax purposes when the owner is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. The interest on the Series 2009B-2 Bonds is taxable and includable in gross income of the recipient for federal income tax purposes. See "TAX MATTERS", herein.

$18,255,000 CITY OF SIOUX FALLS, SOUTH DAKOTA SALES TAX REVENUE BONDS SERIES, 2009B-1

$13,285,000 CITY OF SIOUX FALLS, SOUTH DAKOTA TAXABLE SALES TAX REVENUE BONDS (RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS), SERIES 2009B-2

Dated Date: Date of Delivery

Due: November 15, as shown on the inside front cover

The $18,255,000 City of Sioux Falls, South Dakota Sales Tax Revenue Bonds, Series 2009B-1 (the "Series 2009B-1 Bonds") and the $13,285,000 City of Sioux Falls, South Dakota Taxable Sales Tax Revenue Bonds (Recovery Zone Economic Development Bonds), Series 2009B-2 (the "Series 2009B-2 Bonds", collectively, the "Series 2009B Bonds") are being issued by the City of Sioux Falls, a political subdivision of the State of South Dakota (the "City"), pursuant to an Indenture of Trust, dated as of August 15, 1988, as amended and supplemented, including a Fifteenth Supplemental Indenture, dated as of December 1, 2009 (as so amended and supplemented, the "Indenture"), between the City and The First National Bank in Sioux Falls, Sioux Falls, South Dakota (the "Trustee"), to finance (i) the construction of a new dam at the confluence of Skunk Creek and the Big Sioux River, the construction of improvements to the existing diversion dam, rebuilding the 41st Street Bridge and raising the levees to provide adequate flood risk reduction along the Big Sioux River, Skunk Creek and the diversion channel in the City (the "Projects"), (ii) to fund a deposit to the Series 2009B Reserve Fund and (iii) to pay the costs of issuance of the Series 2009B Bonds.

The Series 2009B Bonds are issuable in fully registered form and will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2009B Bonds. Purchases of beneficial ownership interests in the Series 2009B Bonds will be made in book-entry form only, in principal amounts of $5,000 or whole multiples thereof. Beneficial owners of the Series 2009B Bonds will not receive bond certificates evidencing their ownership interests in the Series 2009B Bonds. So long as DTC or its nominee is the registered owner of the Series 2009B Bonds, payments of principal, redemption price and interest will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to beneficial owners is the responsibility of the DTC participants.

Principal of the Series 2009B Bonds will be payable annually on November 15, as shown on the inside front cover of this Official Statement. Interest on the Series 2009B Bonds is payable on each May 15 and November 15, commencing May 15, 2010. The Trustee will act as Registrar, Transfer Agent and Paying Agent.

The Series 2009B Bonds are subject to redemption prior to maturity. See "The Series 2009B Bonds – Optional Redemption."

THE SERIES 2009B BONDS ARE LIMITED OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM THE COLLECTIONS OF CERTAIN SALES TAXES DESCRIBED HEREIN, WHICH HAVE BEEN IRREVOCABLY PLEDGED TO THE PAYMENT THEREOF, AND FROM CERTAIN OTHER MONEYS HELD BY THE TRUSTEE PURSUANT TO THE INDENTURE. THE SERIES 2009B BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY, THE STATE OF SOUTH DAKOTA OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF SOUTH DAKOTA.

TRUSTEE/REGISTRAR/PAYING AGENT: The First National Bank in Sioux Falls

NOT BANK QUALIFIED: The Series 2009B Bonds are <u>not</u> designated "Qualified Tax-Exempt Obligations."

LEGAL OPINION: Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota

Merrill Lynch & Co. has agreed to purchase the Series 2009B-1 Bonds from the City for the purchase price of **$18,548,082.69.** The Series 2009B-1 Bonds will be available for delivery on or about December 17, 2009.

Morgan Keegan & Co., Inc. has agreed to purchase the Series 2009B-2 Bonds from the City for the purchase price of **$13,152,150.00.** The Series 2009B-2 Bonds will be available for delivery on or about December 17, 2009.

The date of this Official Statement is December 7, 2009.

(THIS PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION).

MATURITY SCHEDULE

Series 2009B-1 Bonds

MATURITY	AMOUNT	INTEREST RATE	YIELD	CUSIP
2011	$1,180,000	2.000%	0.720%	829594 HB9
2012	1,200,000	3.000%	1.010%	829594 HC7
2013	1,235,000	3.000%	1.350%	829594 HD5
2014	1,275,000	3.000%	1.690%	829594 HE3
2015	1,315,000	3.000%	2.070%	829594 HF0
2016	1,350,000	3.000%	2.340%	829594 HG8
2017	1,390,000	3.000%	2.620%	829594 HH6
2018	1,435,000	3.000%	2.750%	829594 HJ2
2019	1,475,000	3.000%	3.030%	829594 HK9
2020	1,520,000	3.250%	3.300%	829594 HL7
2021	1,570,000	3.500%	3.520%	829594 HM5
2022	1,625,000	3.500%	3.690%	829594 HN3
2023	1,685,000	3.750%	3.760%	829594 HP8

Series 2009B-2 Bonds

MATURITY	AMOUNT	INTEREST RATE	YIELD	CUSIP
2024	$ 1,925,000	5.400%	5.400%	829594 HR4
2025	2,030,000	5.500%	5.500%	829594 HS2
2026	2,145,000	5.600%	5.600%	829594 HT0
2027	2,260,000	5.750%	5.750%	829594 HU7
2028	2,390,000	5.900%	5.900%	829594 HV5
2029	2,535,000	6.000%	6.000%	829594 HW3

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Appendix C – Forms of Opinion of Bond Counsel
Appendix D – Book-Entry Only System
Appendix E – Summary of Continuing Disclosure

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SUMMARY

This is not a summary of the entire Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the $18,255,000 City of Sioux Falls, South Dakota Sales Tax Revenue Bonds, Series 2009B-1 (the "Series 2009B-1 Bonds") and $13,285,000 City of Sioux Falls, South Dakota Taxable Sales Tax Revenue Bonds (Recovery Zone Economic Development Bonds), Series 2009B-2 (the "Series 2009B-2 Bonds", and collectively with the Series 2009B-1 Bonds, the "Series 2009B Bonds") to potential investors is made only by means of the entire Official Statement and all such documents.

Issuer	City of Sioux Falls, South Dakota
Dated Date	Date of Delivery
Principal Due	**Series 2009B-1 Bonds:** November 15, 2011 through November 15, 2024 **Series 2009B-2 Bonds:** November 15, 2024 through November 15, 2029
Interest Payment Date	Commencing May 15, 2010 and on each May 15 and November 15 thereafter.
Redemption Provision	**Series 2009B-1 Bonds:** At the option of the City, the Series 2009B-1 Bonds maturing on November 15, 2019 and thereafter shall be subject to redemption in whole or in part by lot on November 15, 2018 or on any date thereafter at par plus accrued interest to the date of redemption. **Series 2009B-2 Bonds:** At the option of the City, the Series 2009B-2 Bonds maturing on November 15, 2024 and thereafter shall be subject to redemption in whole or in part by lot on November 15, 2019 or on any date thereafter at par plus accrued interest to the date of redemption.
Purpose	The proceeds of the Series 2009B Bonds will be to finance (i) the construction of a new dam at the confluence of Skunk Creek and the Big Sioux River, the construction of improvements to the existing diversion dam, rebuilding the 41st Street Bridge and raising the levees to provide adequate flood risk reduction along the Big Sioux River, Skunk Creek and the diversion channel in the City (the "Projects"), (ii) to fund a deposit to the Debt Service Reserve Fund of the Series 2009B Bonds and (iii) to pay the costs of issuance of the Series 2009B Bonds.
Security	The City pledges the Second Penny Tax. Pursuant to the Fifteenth Supplemental Indenture, the City will establish and is required to maintain a Series 2009B Debt Service Reserve Fund for the benefit of the Series 2009B Bonds, funded in an amount equal to the Series 2009B Debt Service Reserve Requirements. (See "SECURITY FOR THE SERIES 2009B BONDS").
Authority	The Series 2009B Bonds are being issued pursuant to South Dakota Codified Laws, Chapters 10-52 and 6-8B, as amended, the City Charter and an ordinance adopted by the City Council on January 5, 2009.
Tax Status	**Series 2009B-1 Bonds:** Interest on the Series 2009B-1 Bonds is excludable from gross income for federal income tax purposes. (See "TAX MATTERS" herein.) **Series 2009B-2 Bonds:** Interest on the Series 2009B-2 Bonds is included in gross income for federal income tax purposes, and may be subject to other federal income tax consequences. (See "TAX MATTERS" herein.)
Trustee	The First National Bank in Sioux Falls, Sioux Falls, South Dakota

Record Date	The first day of the month (whether or not a business day) including such payment date.
Delivery Date and Place	On or about December 17, 2009 through the facilities of DTC in New York, New York
Denominations	The Series 2009B Bonds will be issued in denominations of $5,000 each and integral multiples thereof.
Continuing Disclosure	The City will covenant to provide annual reports and timely notice of certain events all as set forth in the Continuing Disclosure Agreement. (See Appendix E)

(THE REMAINDER OF THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY.)

OFFICIAL STATEMENT

CITY OF SIOUX FALLS, SOUTH DAKOTA
$18,255,000 CITY OF SIOUX FALLS, SOUTH DAKOTA SALES TAX REVENUE BONDS, SERIES 2009B-1
AND
$13,285,000 CITY OF SIOUX FALLS, SOUTH DAKOTA TAXABLE SALES TAX REVENUE BONDS (RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS), SERIES 2009B-2

INTRODUCTORY STATEMENT

The following is a brief introduction as to matters discussed elsewhere in this Official Statement and is qualified in its entirety by such further discussion and the text of the actual documents described or referenced.

General

This Official Statement provides information regarding the $18,255,000 City of Sioux Falls, South Dakota Sales Tax Revenue Bonds, Series 2009B-1 Bonds and the $13,285,000 City of Sioux Falls, South Dakota Taxable Sales Tax Revenue Bonds (Recovery Zone Economic Development Bonds), Series 2009B-2 Bonds (collectively, the "Series 2009B Bonds") (the Series 2009B Bonds, together with the hereinafter described SRF Loans, the Series 2001A Bonds, the Series 2001B Bonds, the Series 2006A Bonds, the Series 2006B Bonds, the Series 2007A Bonds, the Series 2007B Bonds, the Series 2008A Bonds, the Series 2009A Bonds and any Additional Bonds which may hereafter be issued, as described under "PARITY ISSUES," are collectively referred to herein as the "Bonds") to be issued in the aggregate principal amount of $18,255,000 and $13,285,000, respectively, by the City of Sioux Falls, a political subdivision of the State of South Dakota (the "City"). See "THE CITY." The Series 2009B Bonds will be issued pursuant to an Indenture of Trust, dated as of August 15, 1988, as amended and supplemented by a First Supplemental Indenture, dated as of September 1, 1991, a Second Supplemental Indenture, dated as of December 1, 1991, a Third Supplemental Indenture, dated as of December 15, 1993, a Fourth Supplemental Indenture, dated as of November 1, 1996, a Fifth Supplemental Indenture, dated as of December 15, 1996, a Sixth Supplemental Indenture, dated as of September 1, 1999, a Seventh Supplemental Indenture, dated as of March 1, 2001, an Eighth Supplemental Indenture, dated as of April 15, 2004, a Ninth Supplemental Indenture, dated as of March 2, 2006, a Tenth Supplemental Indenture, dated as of April 10, 2006, an Eleventh Supplemental Indenture, dated as of May 1, 2007, a Twelfth Supplemental Indenture, dated as of December 1, 2007, a Thirteenth Supplemental Indenture, dated as of January 1, 2008, a Fourteenth Supplemental Indenture, dated as of July 1, 2009, and a Fifteenth Supplemental Indenture, dated as of December 1, 2009, as amended and supplemented (as so amended and supplemented, the "Indenture"), between the City and The First National Bank in Sioux Falls, in Sioux Falls, South Dakota (together with its successors and assigns the "Trustee"), for the purpose of financing (i) the construction of a new dam at the confluence of Skunk Creek and the Big Sioux River, the construction of improvements to the existing diversion dam, rebuilding the 41st Street Bridge and raising the levees to provide adequate flood risk reduction along the Big Sioux River, Skunk Creek and the diversion channel in the City (the "Projects"), (ii) to fund a

deposit to the Debt Service Reserve Fund for the Series 2009B Bonds and (iii) to pay the costs of issuance of the Series 2009B Bonds.

The Series 2009B Bonds are special limited obligations of the City payable solely from a pledge of the sales tax revenues, as described herein. Neither the faith and credit nor the general taxing power of the State of South Dakota, any county, municipality, political subdivision or governmental unit or agency thereof or of the City is or shall be pledged to the payment of or interest on the Series 2009B Bonds.

Sales Taxes

The City levies (i) a non ad valorem tax as defined in Sections 39-16 and 39-47 of the Revised Ordinances of the City, and Ordinance Nos. 70-03, 14-04, 26-06 and 116-08 codified as Sections 39-16.1 and 39-47.1 of the Revised Ordinances of the City (the "Second Penny Sales Tax Ordinance") imposing an additional sales and use tax authorized by South Dakota Codified Laws Chapter 10-52 at the rate of 1% (the "Second Penny Tax") and (ii) an additional municipal retail occupational sales and service tax of one percent (1%) on the gross receipts of certain entertainment-related business activities (the "Third Penny Tax"). The Second Penny Tax constitutes the "Pledged Sales Taxes". The Third Penny Tax is not pledged to the payment of the Series 2009B Bonds. See "DEBT SERVICE COVERAGE" herein regarding the pledges of the Second Penny Tax.

Under the Indenture, the City will sign and pledge to the Trustee, for the benefit of Bondholders, so much of the collections of the Pledged Sales Taxes in each year as are necessary for the payment of the principal of, premium, if any, and interest on the Bonds. The City has covenanted to continue to impose and collect the Pledged Sales Taxes so long as any Bonds are outstanding. The City has also covenanted in the Indenture that if at any time the proceeds of Pledged Sales Taxes are not sufficient to pay when due all debt service on the Bonds the City shall nevertheless provide moneys to cure any such deficiency, but only to the extent that legally available funds are appropriated for such purpose by the City's governing body. The governing body of the City is not obligated to appropriate funds to cure a deficiency.

Miscellaneous

Summaries and descriptions of the City, the Projects, the Series 2009B Bonds, the Indenture and certain other documents are included in this Official Statement. The summaries of and references to all documents, statutes and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute or instrument. Descriptions of the Indenture and the Series 2009B Bonds are also qualified by reference to bankruptcy laws affecting the remedies for the enforcement of the rights and security provided therein and the effect of the exercise of the police power by any entity with jurisdiction. The City has agreed to provide certain continuing disclosure information after the issuance of the Series 2009B Bonds as more fully described under "CONTINUING INFORMATION" below.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any

of the Series 2009B Bonds. The statements of the City herein are not to be construed as statements by any official, officer or employee of the City.

THE CITY

General

Sioux Falls is located in southeastern South Dakota and is the county seat of Minnehaha County. The City is the largest in South Dakota with an estimated MSA population of 231,400, and serves as a retail trade center for an estimated 750,000 people in southwestern Minnesota, northwestern Iowa and eastern South Dakota. Approximately 73.24 square miles are encompassed within the City.

For general information concerning the City, its general finances, sources of revenue, outstanding obligations, taxes and property values, see "APPENDIX A" attached.

THE PROJECTS

The proceeds of the Series 2009B Bonds will be used to finance (i) the construction of a new dam at the confluence of Skunk Creek and the Big Sioux River, the construction of improvements to the existing diversion dam, rebuilding the 41st Street Bridge and raising the levees to provide adequate flood risk reduction along the Big Sioux River, Skunk Creek and the diversion channel in the City (the "Projects"), (ii) to fund a deposit to the Debt Service Reserve Fund for the Series 2009B Bonds and (iii) to pay the costs of issuance of the Series 2009B Bonds.

SOURCES AND USES OF FUNDS

The estimated sources for and application of funds in connection with the Series 2009B Bonds are as follows:

	Series 2009B-1	Series 2009B-2
Sources		
Par Amount	$18,255,000	$13,285,000
Premium/(Discount)	395,333	-
Total Sources	$18,650,333	$13,285,000
Uses		
Project Costs	$16,396,444	$11,642,916
Debt Service Reserve Fund	1,555,889	1,132,291
Capitalized Interest	517,750	311,943
Costs of Issuance and Underwriter's Discount	180,250	197,850
Total Uses	$18,650,333	$13,285,000

THE SERIES 2009B BONDS

Interest Rates; Maturity Dates and Payment

The Series 2009B-1 Bonds are being issued in the aggregate principal amount of $18,255,000 and the Series 2009B-2 Bonds are being issued in the aggregate principal amount of $13,285,000 and will mature as set forth on the inside front cover hereof. All Series 2009B Bonds will bear interest at the rates set forth on the inside cover hereof, payable semiannually on May 15 and November 15 (each an "Interest Payment Date") of each year commencing May 15, 2010. Interest will be calculated on the basis of a 360-day year with twelve months of thirty days.

The Series 2009B Bonds will be issued as fully registered bonds without interest coupons in the denomination of $5,000 or whole multiples thereof. The Series 2009B Bonds will be payable as to principal, whether upon maturity or redemption, at the principal office of the Trustee. If any payment of interest or principal is due on a day that is not a business day, payment is required to be made on the next succeeding business day with the same effect as if paid when otherwise due. Interest shall be payable by check or draft mailed on the Interest Payment Date to the persons who were registered owners thereof as of the first day of the month in which the Interest Payment Date occurs.

Optional Redemption

Series 2009B-1 Bonds:

The Series 2009B-1 Bonds maturing on or after November 15, 2019, are subject to redemption, in whole or in part in inverse order of maturity and by lot within any one maturity, on any date on or after November 15, 2018, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption.

Such redemption may be made from moneys received due to the exercise by the City of its option to prepay the Series 2009B-1 Bonds, including any moneys transferred from the Bond Fund for this purpose.

Series 2009B-2 Bonds:

The Series 2009B-2 Bonds maturing on or after November 15, 2024, are subject to redemption, in whole or in part in inverse order of maturity and by lot within any one maturity, on any date on or after November 15, 2019, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption.

Such redemption may be made from moneys received due to the exercise by the City of its option to prepay the Series 2009B-2 Bonds, including any moneys transferred from the Bond Fund for this purpose.

Exchange and Transfer

If the book-entry only system hereinafter described is not in effect, the Series 2009B Bonds shall be transferable and exchangeable for other denominations only upon the books of the Trustee and only upon presentation and surrender of such Series 2009B Bonds, together with an executed assignment or other acceptable transfer instrument, subject to the payment of any cost, tax or

charge that may be imposed in connection therewith. Series 2009B Bonds called for redemption are not required to be transferred or exchanged.

Replacement

If any Series 2009B Bond is mutilated, lost, stolen or destroyed, the City shall execute and the Trustee shall authenticate and deliver, subject to the provisions of the Indenture, a new Series 2009B Bond of like date, series and denomination. In the case of a lost, stolen or destroyed Series 2009B Bond, the City and the Trustee may require satisfactory indemnification. In the case of a mutilated Series 2009B Bond, such mutilated Series 2009B Bond shall first be surrendered to the Trustee. For every such exchange of Series 2009B Bonds, the Trustee may charge the owner of such Series 2009B Bond the Trustee's reasonable fees and expenses with respect to the exchange.

Notice of Redemption

With respect to any redemption, the Trustee is required to cause notice of the redemption to be mailed to the registered owner of each Series 2009B Bond to be redeemed (whether in whole or in part), by first class mail, not less than 30 days prior to the redemption date with a copy of such notice to be mailed to each Paying Agent; provided that notice shall be given to any securities depository in accordance with its operational arrangements. Failure to give, or any defect in any mailed notice, shall not affect the validity of any proceedings for the redemption of any Series 2009B Bonds not affected by such failure or defect. In the case of redemption of less than all of the outstanding Series 2009B Bonds, Series 2009B Bonds to be redeemed shall be selected by DTC in accordance with its operational arrangements, or if the book-entry only system is not in effect, by the Trustee by lot, in such manner as the Trustee in its discretion may determine.

PARITY ISSUES

The City has heretofore issued $19,480,000 Sales Tax Revenue Bonds, Series 1991B, dated as of December 1, 1991 (the "Series 1991B Bonds"), $36,665,000 Sales Tax Revenue Bonds, Series 1993, dated December 15, 1993 (the "Series 1993 Bonds"), $15,395,000 Sales Tax Revenue Bonds, Series 1996A, dated December 15, 1996 (the "Series 1996A Bonds"), $24,320,000 Sales Tax Revenue Bonds, Series 1996B, dated December 15, 1996 (the "Series 1996B Bonds"), $8,165,000 Sales Tax Revenue Bonds, Series 1999, dated September 1, 1999 (the "Series 1999 Bonds"), $10,995,000 Sales Tax Revenue Bonds, Series 2001A, dated March 1, 2001, (the "Series 2001A Bonds"), $17,245,000 Sales Tax Revenue Bonds, Series 2001B, dated March 1, 2001 (the "Series 2001B Bonds"), $8,135,000 Sales Tax Revenue Refunding Bonds, Series 2004, dated April 15, 2004 (the "Series 2004 Bonds"), $10,550,000 Sales Tax Revenue Bonds, Series 2006A, dated March 2, 2006 (the "Series 2006A Bonds"), $10,323,000 Sales Tax Revenue Bonds, Series 2006B, dated April 10, 2006 (the "Series 2006B Bonds"), $65,405,000 Sales Tax Revenue Bonds, Series 2007A-1, $4,595,000 Sales Tax Revenue Bonds, Series 2007A-2, dated May 22, 2007 (the "Series 2007A Bonds), $25,570,000 Sales Tax Revenue Bonds, Series 2007B (the "Series 2007B Bonds"), $5,000,000 Sales Tax Revenue Bonds, Series 2008A Bonds (the "Series 2008A Bonds") and $20,265,000 Sales Tax Revenue Bonds, Series 2009A Bonds (the "Series 2009A Bonds") under the Indenture. The City has issued certain notes in connection with the State Revolving Fund ("SRF") loan program, including its Sales Tax Revenue Note, dated May 24, 1990, in the original principal amount of $3,316,310, pursuant to a

Loan Agreement, dated as of May 24, 1990, between the South Dakota Conservancy District and the City (the "1990 SRF Loan") and its Sales Tax Revenue Note, dated November 3, 1994, in the original principal amount of $1,500,000, pursuant to a Loan Agreement dated as of November 3, 1994, between the South Dakota Conservancy District and the City (the "1994 SRF Loan") (collectively the 1990 SRF Loan and the 1994 SRF Loan are referred to as the "SRF Loans"). The Series 1991B Bonds, the Series 1993 Bonds, the 1994 SRF Loan, the Series 1996A Bonds, the Series 1996B Bonds, the Series 1999 Bonds and the Series 2004 Bonds have been paid or defeased. The Series 2009B Bonds, Series 2009A Bonds, Series 2008A Bonds, Series 2007B Bonds, Series 2007A Bonds, Series 2001A Bonds, Series 2001B Bonds, Series 2004 Bonds, Series 2006A Bonds, Series 2006B Bonds and SRF Loans are payable on a parity as to principal, premium, if any, and interest, from the Second Penny Tax; provided, however, that the principal of, premium, if any, and interest on the Series 2001B Bonds and the Series 2004 Bonds ("Third Penny Tax Bonds"), issued pursuant to the Act for projects of the type described in Section 10-52-8 of the Act ("Third Penny Tax Projects"), shall be payable first from any Net Revenues produced as a result of the Third Penny Tax and then revenues produced as a result of the Second Penny Tax will be used for the payment of the principal of, premium, if any, and interest on the Series 2001B Bonds and the Series 2004 Bonds only if the Third Penny Tax Net Revenues available therefor are insufficient. "Net Revenues" means the gross revenues produced by the Third Penny Tax less the amount of the Third Penny Tax Revenues necessary to pay the operating expenses of the project financed with such proceeds and any other Third Penny Tax Project for which Third Penny Tax Bonds are issued, after the payment of such operating expenses, to the extent possible, from the operating revenues of the project financed with such proceeds and such Third Penny Tax Project. The Net Revenues of the Third Penny Tax do not produce sufficient moneys to pay the debt service on the Series 2001B Bonds and the Series 2004 Bonds. See "Debt Service Coverage."

The principal of, premium, if any, and interest on the Series 2001A Bonds, the 2001B Bonds, the Series 2004 Bonds, the Series 2006A Bonds, the Series 2006B Bonds, the 1990 SRF Loan, the Series 2007A Bonds, the Series 2007B Bonds, the Series 2008A Bonds, the Series 2009A Bonds, the Series 2009B Bonds and any other Additional Bonds ("Second Penny Tax Bonds") issued pursuant to the Act for projects of the type described in Sections 39-16.1 and 39-47.1 of the City Ordinance ("Second Penny Tax Projects"), shall be payable from any revenues produced as a result of the Second Penny Tax. **The Series 2009B Bonds are not payable in any event from the proceeds of the Third Penny Tax.**

The deposits with the Trustee will be made by the City so as to satisfy the debt service requirement from the Pledged Sales Taxes and by its internal accounting and transfers of excess Pledged Sales Taxes, the City intends to satisfy the priority of use requirements set forth in the two preceding paragraphs.

Additional Bonds

The City may, from time to time, approve the issuance and delivery of Additional Bonds secured by the Indenture for the purpose of refunding any Bonds or to finance additional projects permitted by law. Each series of Additional Bonds must be authorized by a supplement to the Indenture establishing the terms thereof and providing for Pledged Sales Taxes or other revenues sufficient to pay the Additional Bonds and interest thereon. Each series of Additional Bonds

shall be payable from the Pledged Sales Taxes and secured by the Indenture equally and ratably with all other Bonds issued and outstanding under the Indenture. The conditions for issuance of Additional Bonds under the Indenture are as follows:

(1) No payments due under the Indenture are then delinquent.

(2) No Event of Default under the Indenture exists and is uncorrected at the time.

(3) As shown by a certificate of the City Finance Director, the collections of the Second Penny Tax for each of the two full Fiscal Years of the City immediately preceding the date of issue of the Additional Bonds have been at least 150% of the maximum annual debt service in any future Fiscal Year on all Bonds and Additional Bonds then outstanding and the Additional Bonds proposed to be issued.

(4) As long as any Series 2001B Bonds and Series 2004 Bonds are outstanding, as shown by a certificate of the City Finance Director, the collections of the Second Penny Tax for the full Fiscal Year of the City immediately preceding the date of issue of the Additional Bonds have been at least 170% of the maximum annual debt service in any future Fiscal Year on all obligations secured by the Second Penny then outstanding and the Additional Bonds proposed to be issued; provided that the maximum annual debt service in any future Fiscal Year may be reduced by an amount equal to the lesser of (i) the collections of the Third Penny Tax for the full Fiscal Year of the City immediately preceding the date of issue of the Additional Bonds, or (ii) the scheduled debt service, for the full Fiscal Year of the City immediately preceding the date of issue of the Additional Bonds, on all obligations secured by the Third Penny then outstanding.

(5) The issuance of such Additional Bonds shall not adversely affect the tax-exempt status of any issue of Bonds then outstanding, as evidenced by an opinion of nationally recognized bond counsel.

Subordinate Lien Obligations

The Indenture permits the City to issue revenue bonds or other obligations secured by a pledge of the Pledged Sales Taxes if (i) such revenue bonds or other obligations are not issued under the Indenture, and (ii) their lien on the Pledged Sales Taxes is expressly made subordinate to the pledge thereof to the Bonds.

SECURITY FOR THE SERIES 2009B BONDS

The Series 2009B Bonds are special limited obligations of the City and payments of principal, premium, if any, and interest related to the Series 2009B Bonds are secured solely by a pledge of the collections of the Pledged Sales Taxes and certain other amounts held under the Indenture by the Trustee. See "THE INDENTURE" and "PARITY ISSUES." The City has covenanted in the Indenture that if at any time the proceeds of Pledged Sales Taxes are not sufficient to pay when due all debt service on the Series 2009B Bonds, the City may nevertheless provide moneys to cure any such deficiency, but only to the extent of funds then legally available for that purpose, and then only if such legally available funds are appropriated for such purpose by the City's

governing body. The governing body of the City is not obligated to appropriate funds to cure a deficiency. The Series 2009B Bonds are not general obligations of the City and the City's full faith and credit and taxing powers are not pledged to the payment thereof. The City is not obligated to levy any ad valorem taxes or to expend any moneys of the City to pay the Series 2009B Bonds, except the revenues specifically pledged under the Indenture.

Series 2009B Debt Service Reserve Fund

Pursuant to the Fifteenth Supplemental Indenture, the City will establish and is required to maintain a Series 2009B Debt Service Reserve Fund for the benefit of the Series 2009B Bonds, funded in an amount equal to the Series 2009B Debt Service Reserve Requirement for the Series 2009B Bonds. The City will initially fund the Series 2009B Debt Service Reserve Fund in the amount equal to the lesser of (i) 10% of the original principal amount of the Series 2009B Bonds, (ii) 125% of the average annual debt service payments on the Series 2009B Bonds or (iii) the maximum annual debt service payable on the Series 2009B Bonds (the "Series 2009B Bonds Debt Service Reserve Requirement"). Deficiencies in the Series 2009B Debt Service Reserve Fund are to be made up within 12 months. See "The Indenture – Debt Service Reserve Fund" herein.

Pledged Sales Taxes and the Indenture

The City levies a non ad valorem tax as defined in Sections 39-16 and 39-47 of the Revised Ordinances of the City, and Ordinance Nos. 70-03, 14-04, 26-06 and 116-08 codified as Sections 39-16.1 and 39-47.1 of the Revised Ordinances of the City (the "Second Penny Sales Tax Ordinance") a sales tax authorized by South Dakota Codified Laws Chapter 10-52 at the rate of 1% (the "Second Penny Tax"). The Second Penny Tax constitutes the Pledged Sales Taxes. See "DEBT SERVICE COVERAGE" herein.

The collection of City sales and use taxes is required to be administered by the state department of revenue. Taxes collected by the department of revenue on behalf of any city are required to be paid to the City within thirty days after collection. Under the Indenture, the City will assign and pledge to the Trustee, for the benefit of Bondholders, so much of the collections of the Pledged Sales Taxes in each year as are necessary for the payment of the principal of, premium, if any, and interest on the Bonds. The City has covenanted to continue to impose and collect the Pledged Sales Taxes so long as any Bonds are outstanding. The City has also covenanted in the Indenture that if at any time the proceeds of Pledged Sales Taxes are not sufficient to pay when due all debt service on the Bonds the City shall nevertheless provide moneys to cure any such deficiency, but only to the extent that legally available funds are appropriated for such purpose by the City's governing body. The governing body is not obligated to appropriate funds to cure a deficiency.

The Second Penny Tax is used first to pay debt service on the Parity Issues and amounts in excess of such debt service are used for capital improvement projects or to pay debt service on bonds issued for capital improvement projects. The Third Penny Tax is used to pay certain operating expenses of the Sioux Falls Convention Center and the Washington Pavilion with the Net Revenues used for a portion of the debt service on the Series 2001B.

Sales Tax

The Second Penny Sales Tax can be applied only to those items which are subject to a State sales tax imposed by Chapter 10-52 of the South Dakota Codified Laws (the "State Sales Tax"). The State Sales Tax currently applies to gross receipts, exclusive of discounts and returns, arising from the retail sale of tangible goods, wares or merchandise, the rendering of business services, and the sale of gas, electricity, and telephone services. Various items are excluded from such tax, including, but not limited to, sales of motor vehicles, gasoline and motor fuel, drugs and medicines, water, sales to states, municipalities, charities, Indian tribes, and educational institutions, and receipts from a variety of business services.

Use Tax

The Second Penny Use Tax can be applied only to items which are subject to a State use tax (the "State Use Tax"). The State Use Tax is currently applied to the purchase price of tangible goods, wares or merchandise, the rendering of business services and the purchase of gas and electricity, if such goods or services are furnished or delivered to consumers or users in the State by either an out-of-state retailer maintaining a place of business in the State or by any retailer, upon application to the State to collect such tax, without a place of business in the State. Goods and services to which the State Sales Tax is applied are not subject to an additional State Use Tax. Various items are excluded from application of the State Use Tax, including, without limitation, motor vehicles, raw materials, prescriptive drugs, medicines and other medical devices, sale and use by the State, political subdivisions and certain educational and charitable institutions, and the use of a variety of business services. Under the State Use Tax statute, any person selling and delivering goods or services to residents of the State is required to maintain a list of such sales and submit such list to the State twice a year. The use tax is permitted to be added to the sales price of each item subject to the tax. At the times required under the State Sales Tax statute, such persons must file a use tax return and remit the applicable tax to the State Department of Revenue. Any State Use Tax which is not collected at the time of purchase by the retailer or service provider must be paid directly to the State by the user of the applicable goods or services.

THE PLEDGED SALES TAXES FROM WHICH PRINCIPAL OF AND INTEREST ON THE BONDS ARE PAYABLE ARISE ONLY FROM ITEMS WHICH ARE SUBJECT TO THE STATE SALES TAX OR STATE USE TAX DESCRIBED ABOVE. THE CITY HAS NO CONTROL OVER AND CAN MAKE NO PREDICTION AS TO ANY FUTURE INCLUSIONS TO OR EXCLUSIONS FROM SUCH STATE TAXES OR THE EFFECT THEREOF, IF ANY, ON RECEIPTS OF PLEDGED SALES TAXES.

Pending Initiative Petition to Reduce Sales Tax

Voters have the right under South Dakota law and the City charter to initiate measures to change taxes. In October 2008, a municipal initiative petition was filed with the City to reduce the Second Penny Tax from 1.00% to .90%. If a petition carrying signatures of five percent (5%) of registered voters of the City who voted in the last general election is obtained, the initiated measure would appear on the next general City election or the next general State of South Dakota election, whichever is earlier. No assurances can be given that the required number of signatures of registered voters of the City will be obtained and no prediction can be made as to the effect of such successful initiative of the City's collections of Second Penny Tax. The City

has pledged in the Indenture to impose and collect the Pledged Sales Taxes in an amount equal to one percent (1%) on the value of goods and services subject to such tax.

The City has no information as to whether the initiative petitions are still circulating. Furthermore, South Dakota Statute specifies that signatures which are over six months old are invalid pursuant to SDCL 9-20-2.

THE PLEDGED SALES TAXES FROM WHICH PRINCIPAL AND INTEREST ON THE BONDS ARE PAYABLE MAY BE ADVERSELY AFFECTED BY A MUNICIPAL INITIATIVE. THE CITY HAS NO CONTROL OVER AND CAN MAKE NO PREDICTION AS TO ANY FUTURE REDUCTIONS OF THE SECOND PENNY TAX OR THE EFFECT THEREOF IF A MUNICIPAL INITIATIVE IS SUCCESSFUL.

Historical Collections of Pledged Sales Taxes

The City first imposed the Second Penny Tax in April 1984. Set forth below are the receipts of the Second Penny Tax for the periods stated. The Second Penny Tax collections from January 1, 2009 through November 30, 2009 were $34,980,424 compared to $36,466,860 from January 1, 2008 through November 30, 2008 which is a decrease of 4.1%.

Collections of Second Penny Taxes

Year Ending December 31	Second Penny Collections	Second Penny Percent Increase (Decrease)
2008	$41,568,499	1.64%
2007	40,896,501	7.43
2006	38,066,640	8.43
2005	35,107,816	5.86
2004	33,164,929	7.69
2003	30,796,042	5.65
2002	29,148,126	2.82
2001	28,349,911	2.17
2000	27,748,948	7.85
1999	25,729,080	8.98

DEBT SERVICE COVERAGE

The following table shows pro forma debt service coverage on the obligations payable from the Pledged Sales Taxes including the Series 2009B Bonds for calendar year ended December 31, 2008. The City may issue additional obligations payable from the Pledged Sales Tax at anytime subject to provisions set forth in the Sales Tax Indenture.

Year	Second Penny Sales Tax Revenue[1]	Existing Debt Service on Bonds other than 2009B Bonds[2]	Pro forma Series 2009B-1 Debt Service	Pro forma Series 2009B-2 Debt Service	Pro forma Total Debt Service after Series 2009B are issued	Pro forma Coverage after Series 2009B are issued
2010	$41,568,499	$14,761,950	$ -	$ 379,390	$15,141,340	2.75
2011	41,568,499	13,186,470	1,748,263	758,780	15,693,513	2.65
2012	41,568,499	13,063,077	1,744,663	758,780	15,566,520	2.67
2013	41,568,499	14,723,242	1,743,663	758,780	17,225,685	2.41
2014	41,568,499	11,917,767	1,746,613	758,780	14,423,160	2.88
2015	41,568,499	10,857,705	1,748,363	758,780	13,364,848	3.11
2016	41,568,499	10,855,517	1,743,913	758,780	13,358,210	3.11
2017	41,568,499	10,850,717	1,743,413	758,780	13,352,910	3.11
2018	41,568,499	9,361,634	1,746,713	758,780	11,867,127	3.50
2019	41,568,499	8,454,206	1,743,663	758,780	10,956,649	3.79
2020	41,568,499	8,442,156	1,744,413	758,780	10,945,349	3.80
2021	41,568,499	8,422,844	1,745,013	758,780	10,926,637	3.80
2022	41,568,499	8,399,431	1,745,063	758,780	10,903,274	3.81
2023	41,568,499	8,381,669	1,748,188	758,780	10,888,637	3.82
2024	41,568,499	8,360,401	-	2,683,780	11,044,181	3.76
2025	41,568,499	8,340,100	-	2,684,830	11,024,930	3.77
2026	41,568,499	8,317,900	-	2,688,180	11,006,080	3.78
2027	41,568,499	8,311,363	-	2,683,060	10,994,423	3.78
2028	41,568,499	6,327,588	-	2,683,110	9,010,698	4.61
2029	41,568,499	4,691,588	-	2,687,100	7,378,688	5.63
2030	41,568,499	4,673,088	-	-	4,673,088	8.90
2031	41,568,499	4,709,888	-	-	4,709,888	8.83
2032	41,568,499	4,746,088	-	-	4,746,088	8.76
2033	41,568,499	4,786,513	-	-	4,786,513	8.68
2034	41,568,499	4,825,813	-	-	4,825,813	8.61
2035	41,568,499	4,816,313	-	-	4,816,313	8.63
2036	41,568,499	4,802,788	-	-	4,802,788	8.66

[1] Calendar Year collections for 2008.

[2] Includes debt service for the Series 2008A Bonds which is expected to be paid off when property is sold in 2010. The Series 2008A Bond represent a revolving line of credit with a final maturity in 2015.

THE INDENTURE

The following is a summary of certain provisions of the Indenture:

Application of Series 2009B Bond Proceeds

Series 2009B-1 Bonds:

The proceeds from the sale of the Series 2009B-1 Bonds (including accrued interest) will be deposited with the Trustee to be applied as follows:

1. A portion of the Debt Service Reserve Fund Requirement will be deposited in the Series 2009B Debt Service Reserve Fund hereinafter described.

2. An amount sufficient to pay interest on the Series 2009B-1 Bonds through November 15, 2010 will be deposited in the Series 2009B-1 Capitalized Interest Fund.

3. The balance of the Series 2009B-1 Bond proceeds will be used to pay costs of the Projects and issuance expenses of the Series 2009B-1 Bonds.

Series 2009B-2 Bonds:

The proceeds from the sale of the Series 2009B-2 Bonds (including accrued interest) will be deposited with the Trustee to be applied as follows:

1. A portion of the Debt Service Reserve Fund Requirement will be deposited in the Series 2009B Debt Service Reserve Fund hereinafter described.

2. An amount sufficient to pay interest on the Series 2009B-2 Bonds through May 15, 2010 will be deposited in the Series 2009B-2 Capitalized Interest Fund.

3. The balance of the Series 2009B-2 Bond proceeds will be used to pay costs of the Projects and issuance expenses of the Series 2009B-2 Bonds.

Bond Fund

The Bond Fund and certain other amounts specified in the Indenture will be deposited with the Trustee. While any Bonds are outstanding, moneys in the Bond Fund will be used and withdrawn by the Trustee solely for the payment of principal, premium, if any, and interest on the Bonds and for the redemption of Bonds prior to maturity or to purchase Bonds on the market pursuant to the Indenture.

Debt Service Reserve Fund

The City will maintain the Debt Service Reserve Fund with the Trustee, which Fund contains separate accounts for the Series 2001A Bonds, the Series 2001B Bonds, the Series 2007A, the Series 2007B Bonds, the Series 2008A Bonds, the Series 2009A Bonds and the Series 2009B Bonds. The City will initially fund the Series 2009B Debt Service Reserve Fund in the amount equal to the lesser of (i) 10% of the original principal amount of the Series 2009B Bonds, (ii)

125% of the average annual debt service payments on the Series 2009B Bonds or (iii) the maximum annual debt service payable on the Series 2009B Bonds (the "Series 2009B Bonds Debt Service Reserve Requirement"). The reserve fund surety bond for the Series 2001B Bonds is $3,872,137.50. The Series 2001A Bond Reserve Requirement was initially funded by the proceeds of the Series 2001A Bonds in the amount of $1,099,500. The Series 2007A Bond Reserve Requirement was initially funded by the proceeds of the Series 2007A Bonds in the amount of $2,425,000. The Series 2009A Bond Reserve Requirement was initially funded by the proceeds of the Series 2009A Bonds in the amount of $1,620,606.26. The Series 2009B Bond Reserve Requirement was initially funded by the proceeds of the Series 2009B Bonds in the amount of $2,688,180 Funds in the respective accounts in the Debt Service Reserve Fund will be transferred to the Bond Fund whenever there is a deficiency in the amount of money in the Bond Fund necessary to pay maturing principal and interest on the related series of Bonds to which such reserve account applies, after application of all funds available for that purpose under the Indenture.

All moneys and investments in the respective accounts in the Debt Service Reserve Fund shall be and are irrevocably pledged to and shall be used solely for the payment of the interest on the series of Bonds to which such reserve account applies and for the payment, redemption and retirement of the principal of the series of Bonds to which such reserve account applies.

If the amount on deposit in the Series 2009B Debt Service Reserve Fund is less than the Series 2009B Debt Service Reserve Requirement, the City will deposit funds into the Series 2009B Debt Service Reserve Fund in the next succeeding twelve months not less than the amount necessary to restore the Series 2009B Debt Service Reserve Fund to the Series 2009B Debt Service Reserve Requirement.

If the amount on deposit in the Series 2009B Debt Service Reserve Fund exceeds the Series 2009B Debt Service Reserve Requirement, the excess thereof may be withdrawn and transferred to the Bond Fund.

Capitalized Interest Fund

Series 2009B-1 Bonds:

The City will fund capitalized interest for all interest payments on the Series 2009B-1 Bonds through November 15, 2010 from proceeds of the Series 2009B-1 Bonds. Any interest earned on sums held in the Series 2009B-1 Capitalized Interest Fund shall be retained in the Series 2009B-1 Capitalized Interest Fund, or, at the direction of the City, transferred to the Bond Fund.

Series 2009B-2 Bonds:

The City will fund capitalized interest for all interest payments on the Series 2009B-2 Bonds through May 15, 2010 from proceeds of the Series 2009B-2 Bonds. Any interest earned on sums held in the Series 2009B-2 Capitalized Interest Fund shall be retained in the Series 2009B-2 Capitalized Interest Fund, or, at the direction of the City, transferred to the Bond Fund.

Investment of Funds

Any moneys deposited in the Bond Fund shall, at the direction of the City, or in the absence of such direction at the initiative of the Trustee, be invested and reinvested by the Trustee (i) in obligations of, or obligations the payment of the principal of and interest on which is directly or indirectly guaranteed by, the United States of America and (ii) shares of an open-end, no-load fund administered by an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933 and whose only investments are in securities described in (i). The 2009B Construction Funds, 2009B Capitalized Interest Funds and the 2009B Reserve Fund may be invested in the foregoing investments and permitted investments for municipalities under the laws of the State of South Dakota in South Dakota Codified Laws Section 4-5-6, as amended. The Trustee will not make any investments which would cause any of the Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") or "federally guaranteed" within the meaning of Section 149 of the Code.

Pledged Sales Taxes Covenants and Representations

The City covenants that so long as any Bonds remain Outstanding and unpaid:

(a) The City will administer, enforce and collect, or cause to be administered, enforced and collected, the Pledged Sales Taxes in an amount equal to 1.00 percent of the value of goods and services subject to such taxes and shall take all reasonable action necessary to collect delinquent payments or to cause delinquent payments to be collected in accordance with law.

(b) The City will keep or cause to be kept books and records showing the proceeds of the Pledged Sales Taxes, in which complete entries shall be made in accordance with standard principles of accounting, and any owner of any of the Bonds shall have the right at all reasonable times to inspect such books and records.

(c) The City shall comply with its covenants and obligations set forth in the Continuing Disclosure Agreement.

(d) The City shall continue to impose and collect the Pledged Sales Taxes, shall not reduce the rate of tax on the value of goods and services subject to such tax, and the City shall not exempt any item or transaction from the Pledged Sales Taxes which is subject to the Pledged Sales Taxes on the date of execution of the Indenture.

(e) The City shall, to the extent permitted by law, defend the validity and legality of the Indenture, the Pledged Sales Taxes and the Second Penny Sales Tax Ordinance, and all amendments thereto, against all claims, suits and proceedings which would diminish or impair the Pledged Sales Taxes as security for the Bonds.

(f) The City, acting by and through its officers, or otherwise, shall faithfully and punctually perform, or cause to be performed, all duties with respect to the Pledged Sales Taxes required by the Constitution and laws of the State and the various ordinances, resolutions and contracts of the City, including, without limitation, the proper segregation of the proceeds of

the Bonds and the Pledged Sales Taxes and their application from time to time to the respective funds provided therefor.

(g) The City will perform all contractual obligations undertaken by it under any other agreements relating to the Bonds, Additional Bonds and the Pledged Sales Taxes.

(h) At any and all times the City shall, so for as it may be authorized by law, pass, make, do, execute, acknowledge, deliver and file or record all and every such further instruments and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, the Pledged Sales Taxes and other funds and accounts hereby pledged or assigned, or intended so to be, or which the City may hereafter become bound to pledge or to assign, or as may be reasonable and required to carry out the purposes of the Indenture. The City, acting by and through its officers, or otherwise, shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Sales Taxes and other funds and accounts pledged under the Indenture and all the rights and every owner of any of the Bonds and Additional Bonds against all claims and demands of all persons whomsoever.

(i) The City, its officers, agents and employees, shall not take any action in such manner or to such extent as might prejudice the security for the payment of the Bonds according to the terms thereof. No contract shall be entered into nor any other action taken by which the rights of any Registered Owner of any Bond or other security payable from Pledged Sales Taxes might be prejudicially and materially impaired or diminished.

(j) Each City officer or employee having custody of any Pledged Sales Taxes, or responsible for their handling, shall be bonded at all times, which bond shall be conditioned upon the proper application of said moneys.

Although levied by the City, the sales taxes imposed by the Second Penny Sales Tax Ordinance (including the Pledged Sales Taxes) are collected by the State of South Dakota and remitted to the City twice a month. No covenant of the City with respect to Pledged Sales Taxes obligates the City to undertake or perform any duty, task or obligation to be performed by the State.

Pledged Sales Taxes

The proceeds of the sales taxes levied pursuant to the Second Penny Sales Tax Ordinance (less service and collection fees charged by the State of South Dakota against such amounts) are remitted to the City by the State of South Dakota. Promptly upon receipt of each such remittance, the City shall:

(A) determine the amount of such remittance which constitutes Pledged Sales Taxes and the amount of such remittance which constituted the proceeds of the Second Penny Tax and the Third Penny Tax; and

(B) beginning on November 16 of each Bond Year, (i) allocate such Pledged Sales Taxes among the SRF Loans and the Bonds on the basis of their respective debt service payable during such Bond Year, and (ii) segregate the SRF Loans portion of the Pledged Sales Taxes for the payment of the SRF Loans until the aggregate amount segregated equals the debt

service on the SRF Loans to become due during such Bond Year, and (iii) remit to the Trustee for deposit in the Bond Fund the entire amount of the Pledged Sales Taxes remaining after segregation of the SRF Loans portion until the aggregate amount remitted equals or exceeds the total amount of principal and interest to become due on all Bonds during such Bond Year;

On the 10th day of each month, the City shall provide to the Trustee a Remittance Certification, stating the amount of Pledged Sales Taxes, remitted to the Trustee during the preceding month, and on a cumulative basis for the current Bond Year.

At such time during each Bond Year as the amount remitted to the Trustee for deposit in the Bond Fund is sufficient to satisfy the City's obligation, the Trustee shall provide written notice of such fact to the City, and the City shall be under no further obligation to remit Pledged Sales Taxes to the Trustee for the remainder of that Bond Year, except for any required remittances to fund the Reserve Fund at the Debt Service Reserve Requirement. Nothing in the Indenture precludes the City from remitting moneys to the Trustee from sources other than Pledged Sales Taxes, but the City is under no obligation to do so.

Defaults and Remedies

The following shall constitute events of default under the Indenture.

1. default in the due and punctual payment of interest on any Bond or Additional Bond;

2. default in the due and punctual payment of the principal of, or premium, if any, on any Bond or Additional Bond, whether at the stated maturity thereof or by declaration of acceleration, call for redemption or otherwise;

3. default in the due and punctual payment of any other moneys required to be paid by the City to the Trustee for deposit in the Bond Fund under the Indenture and continuation of such default for a period of five (5) days following written notice thereof to the City;

4. default by the City in the due and punctual payment of any other moneys required to be paid to the Trustee under the provisions of the Indenture and such default shall have continued for a period of thirty (30) days after written notice thereof to the City; or

5. default by the City in the performance or observance of any other covenant, agreement or condition contained in the Indenture or the Bonds or Additional Bonds and the continuation of such default for a period of thirty (30) days following written notice thereof to the City.

Upon the occurrence of an event of default, the Trustee may, by notice in writing delivered to the City, declare the principal of all outstanding Bonds or Additional Bonds to be immediately due and payable and may, in addition, pursue any available remedy at law or in equity to enforce the rights of the Bondholders. The Trustee may direct the City in writing to remit all collections of Pledged Sales Taxes directly to the Trustee, and the Trustee shall apply the moneys received to satisfy the obligations of the City under the Indenture. If any event of default shall have

occurred and the holders of 51% in aggregate principal amount of the then outstanding Bonds or Additional Bonds shall so request and the Trustee has received an indemnity bond as provided in the Indenture, the Trustee shall be obligated to exercise such rights and powers conferred upon it by the Indenture as it deems most expedient in the interest in the Bondholders; provided, however, that the Trustee shall have the right to decline to comply with any such request if the Trustee shall be advised by independent counsel that the action so requested may not lawfully be taken or if the Trustee in good faith should determine that such action would be unjustly prejudicial to any Bondholders not parties to such requests. The Trustee may in its discretion waive any event of default and its consequences and rescind any declaration of acceleration provided that there shall not be waived any event of default in the payment of the principal of or premium of any outstanding Bonds or Additional Bonds on the redemption date or on the date of maturity specified therein or any event of default in the payment when due of the interest on any Bond or Additional Bonds unless prior to such waiver all arrearages of interest, principal and premium, with interest on such amounts to the extent permitted by law, have been paid or provided for.

Modifications

The Indenture may not be modified or amended without the consent of the holders of not less than fifty-one percent in aggregate principal amount of the Bonds or Additional Bonds outstanding except to:

1. provide for the issuance of additional series of Bonds or Additional Bonds to the extent permitted by the Indenture or to facilitate the remarketing of the Bonds or Additional Bonds on a Mandatory Purchase Date;

2. cure any ambiguity or formal defect or omission in the Indenture or in any supplemental indenture;

3. grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Trustee;

4. more precisely identify the Trust Estate, or any other property which may become a part of the Trust Estate;

5. subject to the lien and pledge of the Indenture additional revenues, properties or collateral;

6. evidence the appointment of a separate trustee or a co-trustee or the succession of a new Trustee and/or Paying Agent under the Indenture;

7. modify, eliminate and/or add to the provisions of the Indenture to such extent as shall be necessary to prevent any interest on the Bonds from becoming taxable under the Federal income tax laws or to effect the qualification of the Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar Federal statute hereafter enacted, and to add to the Indenture such other provisions as may be expressly permitted by said Trust

Indenture Act of 1939, excluding however the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939; and

8. make any other change which is required by any provision of the Indenture, or which in the judgment of the Trustee is necessary or desirable and will not materially prejudice any non-consenting Holder of a Bond or Additional Bond.

In any event, no such modification or amendment shall be made without consent of the Holders of all Bonds or Additional Bonds adversely affected thereby which will permit:

1. an extension of the maturity of the principal or of the interest on any Bond or Additional Bond issued under the Indenture, or a reduction in the principal amount of any Bond or Additional Bond or the rate of interest thereon;

2. a privilege or priority of any Bond or Bonds or Additional Bonds over any other Bond or Bonds or Additional Bonds except as may be otherwise expressly provided in the Indenture;

3. a reduction in the aggregate principal amount of the Bonds or Additional Bonds required for consent to such supplemental indenture; or

4. a reduction in the percentage of holders of Bonds or Additional Bonds required for consent to such supplemental indentures.

CONTINUING INFORMATION

In order to permit the City to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the City will agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Series 2009B Bonds, in a Continuing Disclosure Agreement, dated as of December 1, 2009 (the "Continuing Disclosure Agreement"), between the City and the Trustee, as agent, to provide annual reports of specified information and notice of the occurrence of certain material events. The information to be provided on an annual basis, the events as to which notice is to be given and a summary of other provisions of the Continuing Disclosure Agreement, including termination, amendment and remedies, are set forth in Appendix F to this Official Statement.

Breach of the Continuing Disclosure Agreement will not constitute a default or an "Event of Default" under the Indenture or the Series 2009B Bonds. A broker or dealer is to consider a known breach of the Continuing Disclosure Agreement before recommending the purchase or sale of the Series 2009B Bonds in the secondary market. Thus, a failure on the part of the City to observe the covenants contained in the Continuing Disclosure Agreement may adversely affect the transferability and liquidity of the Series 2009B Bonds and their market price.

TAX MATTERS

Series 2009B-1 Bonds:

In the opinion of Lindquist & Vennum P.L.L.P., Bond Counsel, under present laws, regulations, rulings and decisions in effect on the date of issuance of the Series 2009B-1 Bonds, and assuming compliance with certain covenants, interest on the Series 2009B-1 Bonds is not includable in gross income for federal income tax purposes. Interest received by the owners of the Series 2009B-1 Bonds is includable in gross income for South Dakota tax purposes when the recipient is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. In rendering its opinion, Bond Counsel will rely on certain covenants and representations on the part of the City concerning the nature and cost of the facilities being financed from proceeds of the Series 2009B-1 Bonds and the application and investment of proceeds of the Series 2009B-1 Bonds. Moreover, certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), impose continuing requirements that must be met after the issuance of the Series 2009B-1 Bonds in order for interest thereon to be and remain not includable in federal gross income. Noncompliance with such requirements by the City may cause the interest on the Series 2009B-1 Bonds to be includable in federal gross income, retroactive to date of issuance of the Series 2009B-1 Bonds, irrespective in some cases of the date on which such noncompliance occurs or is ascertained. No provision has been made for redemption of the Series 2009B-1 Bonds or for an increase in the interest rate on the Series 2009B-1 Bonds in the event that interest on the Series 2009B-1 Bonds becomes includable in federal gross income.

Interest on the Series 2009B-1 Bonds is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers. Interest on the Series 2009B-1 Bonds is not includable in adjusted current earnings in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax. Interest on the Series 2009B-1 Bonds may be includable in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent of the interest on the Series 2009B-1 Bonds that is received or accrued during the taxable year. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account the interest on the Series 2009B-1 Bonds in determining the taxability of such benefits. Passive investment income, including interest on the Series 2009B-1 Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent of its gross receipts is passive investment income.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest with respect to the Series 2009B-1 Bonds. Prospective purchasers or owners of the Series 2009B-1 Bonds should consult their tax advisors with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income.

The foregoing discussion of the collateral federal tax consequences which may arise from the receipt of interest on the Series 2009B-1 Bonds is not intended to be comprehensive. All prospective purchasers of the Series 2009B-1 Bonds should consult their tax advisors as to the tax consequences of, purchasing or holding the Series 2009B Bonds.

Original Issue Premium

The Series 2009B-1 Bonds maturing in the years 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018 (the "2009B-1 Premium Bonds") are being sold at a price greater than the principal amounts payable on such Series 2009B-1 Bonds at maturity. To the extent that a purchaser of a 2009B-1 Premium Bond acquires a Premium Bond at a price greater than the principal amount payable at maturity, such excess may be considered "amortizable bond premium" under Section 171 of the Code. In general, any amortizable bond premium with respect to a 2009B-1 Premium Bond must be amortized under the Code. The amount of premium so amortized will reduce the owner's basis in such 2009B-1 Premium Bond for Federal income tax purposes, and such amortized premium is not deductible for Federal income tax purposes. Purchasers should consult their own tax advisors as to the computation and treatment of such amortizable bond premium, including, but not limited to, the calculation of gain or loss upon the sale, redemption, maturity, receipt or payment or other disposition of a 2009B-1 Premium Bond.

Original Issue Discount

The initial public offering price of the Series 2009B-1 Bonds maturing in the years 2019, 2020, 2021, 2022 and 2023 (the "2009B-1 Discounted Bonds") is less than the principal amount payable thereon at maturity. As a result, the 2009B-1 Discounted Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of each maturity of the 2009B-1 Discounted Bonds as set forth on the inside cover page of this Official Statement (assuming it is the first price during the initial offering (the "2009B-1 Issue Price") at which a substantial amount of such maturity is sold to the public), and the principal amount payable at maturity of the 2009B-1 Discounted Bonds will be treated as "original issue discount." With respect to a taxpayer who purchases a 2009B-1 Discounted Bonds in the initial public offering at the 2009B-1 Issue Price and who holds such 2009B-1 Discounted Bond to maturity, the full amount of original issue discount will constitute interest which is not includable in the gross income of the owner of such 2009B-1 Discounted Bond for federal income tax purposes and such owner will not, under present federal income tax law, realize taxable capital gain upon payment of such 2009B-1 Discounted Bond upon maturity.

The original issue discount on each of the 2009B-1 Discounted Bonds is treated as accruing daily over the term of such 2009B-1 Discounted Bonds on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on May 15 and November 15 (with straight line interpolation between compounding dates).

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the 2009B-1 Discounted Bonds, that the amount of original issue discount accruing each period will be added to the owner's tax basis for the 2009B-1 Discounted Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the 2009B-1 Discounted Bonds (including sale, redemption or payment at maturity). An owner of a 2009B-1 Discounted Bond who

disposes of such 2009B-1 Discounted Bond prior to maturity should consult such owner's tax advisor as to the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such 2009B-1 Discounted Bond prior to maturity.

As described above regarding tax-exempt interest, a portion of the original issue discount that accrues in each year to an owner of a 2009B-1 Discounted Bond may result in certain collateral federal income tax consequences. In the case of a corporation, such portion of the original issue discount will be included in the calculation of the corporation's alternative minimum tax liability and the branch profits tax liability. Corporate owners of any 2009B-1 Discounted Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability or a branch profits tax liability although the owners of such 2009B-1 Discounted Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase 2009B-1 Discounted Bonds in the initial public offering but at a price different than the 2009B-1 Issue Price should consult their own tax advisors with respect to the tax consequences of the ownership of the 2009B-1 Discounted Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the 2009B-1 Discounted Bonds. Owners who do not purchase 2009B-1 Discounted Bonds in the initial public offering should consult their own tax advisors with respect to the tax consequences of the ownership of the 2009B-1 Discounted Bonds.

Owners of 2009B-1 Discounted Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the 2009B-1 Discounted Bonds. It is possible that under the applicable provisions governing the determination of state or local income taxes, accrued original issue discount on the 2009B-1 Discounted Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

Series 2009B-2 Bonds:

In the opinion of Bond Counsel, based on its examination of the documents described in the opinion, under existing statutes, regulations, rulings and court decisions, the interest on the Series 2009B-2 Bonds is not excluded from gross income for federal income tax purposes. The City has elected to receive refundable tax credits (the "Refundable Credits") from the United States Department of Treasury under Section 54AA(g) of the Code. The Refundable Credits will be deposited into the Bond Fund and will be used solely for the payment of interest on the Series 2009B-2 Bonds. The availability of the Refundable Credits is subject to the condition that the City comply with all the requirements of the Code that must be satisfied subsequent to the issuance of the Series 2009B-2 Bonds in order that interest thereon would be excludable from gross income for federal income tax purposes, but for the Series 2009B-2 Bonds being designated as "Recovery Zone Economic Development Bonds." Failure to comply with certain of such requirements may cause the loss of the Refundable Credits to be retroactive to the date of the issuance of the Series 2009B-2 Bonds. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Series 2009B-2 Bonds. THE AVAILABLE

SUBSIDY FOR THE SERIES 2009B-2 BONDS WILL BE PAID TO THE CITY; NO HOLDERS OF THE SERIES 2009B-2 BONDS WILL BE ENTITLED TO TAX CREDIT.

The foregoing discussion of the collateral federal tax consequences which may arise from the receipt of interest on the Series 2009B-2 Bonds is not intended to be comprehensive. All prospective purchasers of the Series 2009B-2 Bonds should consult their tax advisors as to the tax consequences of, purchasing or holding the Series 2009B-2 Bonds.

ENFORCEABILITY OF SERIES 2009B BONDS

On the closing date for delivery of the Series 2009B Bonds, Bond Counsel will deliver its opinions, dated the date thereof, that the Series 2009B Bonds and the Indenture are valid and legally binding obligations of the City enforceable in accordance with their terms. The foregoing opinions will be generally qualified to the extent that enforceability may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and to the exercise of judicial discretion in accordance with general principles of equity.

While the Series 2009B Bonds are secured or payable pursuant to the Indenture, practical realization of any security upon a default will depend upon the exercise of various remedies specified in the respective instruments. These and other remedies are dependent in many respects upon judicial action, which is subject to discretion and delay. Accordingly, the remedies specified by such instruments may not be readily available or may be limited.

RATING

Moody's Investors Service, Inc. has assigned a "Aa3" rating to the Series 2009B Bonds.

The rating issued reflects an opinion of the agency furnishing the same and is not a recommendation to buy or sell the Series 2009B Bonds. This rating is subject to withdrawal at any time; withdrawal of a rating may have an adverse affect on the marketability of the Series 2009B Bonds. For an explanation of the significance of a rating, an investor should communicate with the rating agency directly.

MISCELLANEOUS

Aside from the discussion in the section "Pending Initiative Petition to Reduce Sales Tax", there is no controversy or litigation of any nature now pending or, to the knowledge of the City, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, the establishment or collection of the Pledged Sales Taxes, or in any way contesting or affecting the validity of the Series 2009B Bonds, the establishment or collection of the Pledged Sales Taxes, or any proceedings of the City taken with respect thereto.

The foregoing summaries do not purport to be comprehensive or definitive and all references to the documents summarized are qualified in their entirety by reference to each such document. All references to the Series 2009B Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. Copies of

these documents are available for inspection during the period of the offering at the offices of the Financial Consultant in Sioux Falls, South Dakota, and thereafter at the principal office of the Trustee. All information contained in the Appendices to this Official Statement has been furnished by the City.

UNDERWRITING

Series 2009B-1 Bonds:

The Series 2009B-1 Bonds are being purchased by Merrill Lynch & Co. at a purchase price of $18,548,082.69, equal to the principal amount thereof less an underwriter's discount of $102,249.91 and plus a net reoffering premium of $395,332.60. The Series 2009B-1 Underwriter may offer and sell the Series 2009B-1 Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the cover hereof.

Series 2009B-2 Bonds:

The Series 2009B-2 Bonds are being purchased by Morgan Keegan & Co., Inc. at a purchase price of $13,152,150.00, equal to the principal amount thereof less an underwriter's discount of $132,850.00. The Series 2009B-2 Underwriter may offer and sell the Series 2009B-2 Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the cover hereof.

FINANCIAL ADVISOR

The City has appointed Public Financial Management, Inc., Minneapolis, Minnesota to serve as financial advisor to the City on matters relating to the issuance of the Series 2009B Bonds and various debt management matters.

CERTIFICATES CONCERNING OFFICIAL STATEMENT

Concurrently with the delivery of the Series 2009B Bonds, the Mayor and the Director of Finance of the City will deliver to the purchaser of the Series 2009B Bonds a certificate stating that, to the best of their knowledge, this Official Statement did not as of its date and as of the sale date and does not, as of the date of delivery of the Series 2009B Bonds, contain an untrue statement of a material fact or omit to state a material fact required to be included therein for the purpose for which this Official Statement is to be used or necessary to make the statements therein, in the light of the circumstances under which they were made not misleading.

By /s/ Dave Munson
Dave Munson, Mayor

By /s/ Eugene Rowenhorst
Eugene Rowenhorst, Director of Finance

APPENDIX A

CITY OF SIOUX FALLS, SOUTH DAKOTA

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GENERAL INFORMATION

For more detailed information about the City, please go to www.siouxfalls.org.

Demographics

Set forth below are certain demographic statistics:

Fiscal Year	City Population[1]	Per Capita Personal Income[2]	School Enrollment[3]	Annual Average Unemployment Rate[2]
2008	154,100	N/A	20,756	3.7%
2007	151,300	N/A	20,006	2.5
2006	148,200	$36,017	19,821	2.7
2005	144,600	35,276	19,630	3.3
2004	141,000	34,148	20,337	3.4
2003	138,000	32,757	19,623	3.1

Sources: [1] City Planning Department end of year estimates.
[2] South Dakota Department of Labor (for the Sioux Falls Metropolitan Statistical Area)
[3] South Dakota Department of Education fall enrollment (for Sioux Falls Public Schools)

City Government

The City was incorporated in 1889 and currently operates under its home rule charter. The charter permits the City to exercise any legislative power or perform any legislative function not denied by its charter, the constitution, or the general laws of South Dakota. The City government is composed of a full-time strong mayor and a City Council of eight part-time council members, three to be elected at large and five elected from districts. The City Council acts as a policy-making and legislative body. The mayor is responsible for management and administration of the City.

City Council

Name	Position	Term Expires
Dave Munson	Mayor	2010
Vernon Brown	Councilmember-At Large	2012
J. Pat Costello	Councilmember-At Large	2010
De Knudson	Councilmember-At Large	2010
Greg Jamison	Councilmember-Southwest District	2012
Kenny Anderson Jr.	Councilmember-Northeast District	2012
Robert Litz	Councilmember-Northwest District	2012
Gerald Beninga	Councilmember-Southeast District	2010
Kermit Staggers	Councilmember-Central District	2010

City Officials

Eugene Rowenhorst	Director of Finance	Appointed
Robert Amundson	City Attorney	Appointed
Debra Owen	City Clerk	Appointed

City Services

The City provides a wide range of municipal services including police and fire protection; infrastructure development and maintenance of highways, bridges, and streets; public utilities such as water, sanitary sewer, limited electricity and solid waste disposal facilities; public parking and transit services; planning services and zoning and building code enforcement; community/public health services; and parks, recreation and library services. In order to provide these services, the City employs a workforce of 1,121 regular full-time employees including 453 public safety employees (259 within the police department and 194 fire services personnel), 140 personnel assigned to engineering, highways, and streets, 133 employees within the library and parks/recreation departments, and 172 employees within the utility and other enterprise services of the City. These employees help to improve and maintain 771 miles of paved streets, 2,913 acres of parks land, and provide water services to 46,352 customers.

Construction

Set forth below is data for building permits issued in the City for the past five years:

Fiscal Year	Number of Permits	Value
2008	6,019	$454,137,347
2007	6,428	506,325,775
2006	6,419	441,811,983
2005	6,701	463,105,323
2004	6,902	396,937,153
2003	6,697	346,645,088
2002	7,723	280,340,362

Major Employers

Name	Product/Service	Number of Employees
Sanford Health	Medical	6,743
Avera McKennan Health Services	Medical	4,884
Wells Fargo Bank	Financial	3,348
John Morrell & Co.	Meat Processing	3,200
Citigroup	Financial	3,200
Sioux Falls Public Schools	Education	3,000
HyVee Food Stores	Retail Grocery	2,087
WalMart/Sam's Club	Retail	1,185
City of Sioux Falls	Government	1,101
First Premier Bank/Premier Bankcard Financial	Financial	1,056

Source: Sioux Falls Development Foundation

FINANCIAL INFORMATION

Financial Reports

Copies of the Audited Annual Financial Report of the City's funds for the years 2003-2008, and the budgets for the years 2004-2010 are available at www.siouxfalls.org. See Note No. 1 in Appendix A for an explanation of methods used in reporting. Excerpts of the City's comprehensive financial report for the year ended December 31, 2008, are presented in Appendix B to the Official Statement. The City's accounts are audited annually by an independent certified public accountant. The City has received from the Government Finance Officers Association, its Certificate of Achievement for Excellence in Financial Reporting in each year since 1980, and its Distinguished Budget Presentation Award in each year since 1990.

Results of Operation

The General Fund is the primary operating fund for the City. Revenues and expenditures for the years 2005-2008 are outlined in the following table. Schedules of revenues and expenditures of various funds of the City have been compiled from information obtained in the City's financial statements and budget. They have been organized in such a manner as to facilitate year-to-year comparisons.

	2008	2007	2006	2005
Revenues				
Taxes	$ 87,285,366	$ 83,301,576	$ 76,873,020	$ 71,059,546
Licenses and permits	4,620,792	4,905,762	3,994,868	4,967,567
Intergovernmental revenues	9,441,843	8,848,960	6,800,111	6,866,364
Charges for goods and services	5,239,486	5,057,163	4,170,337	4,490,705
Fines and forfeits	1,148,449	1,143,907	1,147,628	1,256,988
Interest (Investment revenues)	3,521,754	3,805,690	2,798,696	1,367,970
Miscellaneous revenues	790,844	738,109	881,627	916,362

	2008	2007	2006	2005
Total Revenues	$112,048,534	$107,801,167	$ 96,666,287	$ 90,925,502
Expenditures				
Current:				
General government	$ 12,004,046	$ 11,380,922	$ 10,463,202	$ 10,679,235
Public safety	42,147,680	40,596,795	37,739,072	34,362,530
Highways and streets	17,853,737	17,622,676	14,440,969	15,963,968
Health	7,145,393	6,910,881	6,571,869	6,254,196
Culture and recreation	18,117,832	17,525,143	16,848,972	14,823,418
Urban and economic development	5,160,199	4,914,562	4,603,141	4,408,913
Total Current Expenditures	$102,428,887	$ 98,950,979	$ 90,667,225	$ 86,492,260
Capital outlay	7,695	41,096	384,590	2,119,474
Debt service	--	48,735	61,354	61,734
Total Expenditures	$102,436,582	$ 99,040,810	$ 91,113,169	$ 88,673,468
Revenues Over (Under) Expenditures	$ 9,611,952	$ 8,760,357	$ 5,553,118	$ 2,252,034
Other Financing Sources (Uses):				
Sale of surplus property/damage recovery	70,450	108,155	90,355	84,030
Operating transfers in	--	28,939	430,777	80,275
Operating transfers out	(4,273,274)	(3,692,285	(2,604,500)	(3,163,999)
Total Other Financing Sources (Uses)	(4,202,824)	(3,555,191)	(2,083,368)	(2,999,094)
Revenue and other sources over (under) expenditures and other uses	5,409,128	5,205,166	3,469,750	(747,060)
Fund Balances January 1	**$39,347,693**	**$ 34,142,527**	**$ 27,038,869**	**$ 27,785,929**
Prior Period Adjustment			3,633,908	--
Adjusted Fund Balance January 1	39,347,693	34,142,527	30,672,777	27,785,929
Fund Balances (Deficit), December 31	**$44,756,821**	**$ 39,347,693**	**$ 34,142,527**	**$ 27,038,869**

Budgetary Process

By August 1 in each year the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted at City Hall to encourage public input. The Council must, prior to September 30, enact the budget by ordinance. If the Council fails to approve a budget by September 30, the Mayor's proposed budget becomes the City's budget for the following fiscal year. After adoption, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted. If it is determined during the year that sufficient amounts have not been budgeted, the City Charter allows the adopting of supplemental appropriations.

CITY OBLIGATIONS

Set forth below are the current outstanding obligations (as of November, 2009) which the City is obligated or committed to pay:

Type of Issue		Purpose	Original Issue Amount	Amount Outstanding (11/30/09)
Revenue Bonds & Notes				
Series 2001A Sales Tax Bonds	*	Public Safety Construction	$ 10,995,000	$ 2,060,000
Series 2001B Sales Tax Bonds	*	Partial Refunding (1993)	17,320,000	14,320,000
Series 2007A Sales Tax Bonds	*	Lewis & Clark Rural Water System	70,000,000	70,000,000
Series 2007B Sales Tax Bonds	*	Library & Park Projects	25,570,000	24,625,000
Series 2008A Sales Tax Bonds[1]	*	Urban Revitalization	5,000,000	1,034,260
Series 2009A Sales Tax Bonds	*	Library & Park Projects	20,265,000	20,265,000
1989 Lease Purchase Obligations		City Hall Annex	1,290,902	567,121
2007 Lease Purchase Obligations		Scrapers	1,528,108	950,064
2008 Lease Purchase Obligations		Dozer	742,898	445,435
2008 Lease Purchase Obligations		5 Motor Graders	928,111	556,414
2007 State Revolving Note SW #1		Landfill Improvements	1,800,000	1,410,032
2008A Tax Increment		Cherapa Place	2,290,000	2,290,000
Drinking Water				
State Revolving Note #1, 1999		System Construction	6,496,745	595,886
State Revolving Note #2, 2001		System Construction	2,348,168	880,984
State Revolving Note #3, 2002		System Construction	7,930,000	3,891,242
State Revolving Note #4, 2003		System Construction	279,599	158,674
State Revolving Note #5, 2004[1]		System Construction	12,749,000	7,984,615
State Revolving Note #6, 2008[1]		System Construction	17,848,000	1,761,477
State Revolving Note #7, 2008[1]		System Construction	2,200,000	2,200,000
State Revolving Note #8, 2008[1]		System Construction	2,705,600	2,051,662
State Revolving Note #9, 2009[1]		System Construction	3,400,227	409,090
State Revolving Note #10, 2009[1]		System Construction	4,883,634	2,866,737
Clean Water				
State Revolving Note #1, 1990	*	System Construction	2,836,963	483,280
State Revolving Note #14, 2000		System Construction	4,888,537	1,480,778
State Revolving Note #15, 2002		System Construction	1,467,706	785,622
State Revolving Note #16, 2003		System Construction	2,479,500	1,414,598
State Revolving Note #17, 2003		System Construction	561,320	314,401
State Revolving Note #18, 2004		System Construction	3,730,114	2,700,632
State Revolving Note #19, 2004		System Construction	415,785	291,581
State Revolving Note #20, 2005		Storm Drainage Construction	25,949,349	19,821,573
State Revolving Note #21, 2005[1]		System Construction	35,733,636	27,545,227
State Revolving Note #22, 2006	*	Storm Drainage Construction	10,550,000	8,644,935
State Revolving Note #23, 2006[1]	*	System Construction	10,323,000	9,161,468
State Revolving Note #24, 2006		Landfill Improvements	500,000	433,799
State Revolving Note #25, 2008[1]		System Construction	5,657,000	2,513,998
State Revolving Note #26, 2008[1]		System Construction	3,744,000	2,982,440
State Revolving Note #27, 2008[1]		System Construction	2,621,000	2,118,122
State Revolving Note #28, 2009[1]		System Construction	1,785,798	17,202
State Revolving Note #29, 2009[1]		System Construction	2,214,902	338,426
State Revolving Note #30, 2009[1]		System Construction	8,461,539	461
State Revolving Note #31, 2009[1]		System Construction	1,205,564	938,375
				$243,310,611

(1) Authorized amount not fully funded.

* Secured by pledge of the second penny sales and use tax.

FUTURE FINANCING OF THE CITY

The City does not anticipate issuing sales tax revenue bonds within the next 6 months.

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APPENDIX B

2008 AUDITED FINANCIALS

EXCERPTS FROM THE
COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008

Statement of Net Assets

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Housing & Redevelopment Commission	Metro Communications Agency
Assets					
Cash and Cash Equivalents	$ 117,712,480	$ 71,717,914	$ 189,430,394	$ 3,565,038	$ 1,016,259
Investments	-	39,859	39,859	-	-
Receivables, net	23,703,141	6,179,672	29,882,813	133,219	7,245
Prepaid Items	-	-	-	37,433	-
Internal Balances	(1,308,401)	1,308,401	-	-	-
Due From Other Governments	9,551,870	16,766	9,568,636	47,749	-
Inventory of Supplies and Stores	3,421,724	2,826,484	6,248,208	185,980	-
Unamortized Debt Issuance Costs	-	55,500	55,500	-	-
Notes Receivable	-	-	-	194,042	-
Deposits	1,141,359	-	1,141,359	-	-
Capital Assets:					-
Land	123,346,446	13,156,191	136,502,637	504,280	-
Buildings, net	87,887,527	19,158,324	107,045,851	1,557,308	-
Improvements Other Than Buildings, net	54,039,799	10,135,032	64,174,831	24,463	-
Machinery and Equipment, net	25,472,290	19,365,232	44,837,522	205,681	1,344,277
Infrastructure, net	408,524,351	297,275,176	705,799,527	-	-
Intangibles, net	2,485,195	41,327,116	43,812,311	-	-
Construction in Progress	17,868,150	7,423,158	25,291,308	-	-
Total Assets	873,845,931	489,984,825	1,363,830,756	6,455,193	2,367,781
Liabilities					
Accounts Payable and Other Current Liabilities	7,745,381	2,257,229	10,002,610	198,254	310,993
Interest Payable	535,664	1,210,247	1,745,911	14	-
Prepaid Revenue	-	137,649	137,649	-	-
Bond Anticipation Notes	5,449,390	-	5,449,390	-	-
Rebatable Arbitrage	-	529,922	529,922	-	-
Closure & Postclosure Care Costs	-	6,020,908	6,020,908	-	-
Deposits	29,700	339,000	368,700	12,616	-
Unearned Revenue	17,695,461	-	17,695,461	1,400	-
Long-term Liabilities:					-
Due Within One Year	14,882,812	8,328,324	23,211,136	70,310	-
Due In More Than One Year	79,645,733	138,764,268	218,410,001	730,518	-
Total Liabilities	125,984,141	157,587,547	283,571,688	1,013,112	310,993
Net Assets					
Invested in Capital Assets, net of related debt	648,991,192	303,460,632	952,451,824	1,674,900	-
Restricted for:					
Capital Replacement	-	8,366,699	8,366,699	-	-
Debt Service	-	2,748,865	2,748,865	-	-
Heroic and Meritorious Service:					
Nonexpendable	2,000	-	2,000	-	-
Expendable	3,354	-	3,354	-	-
Library Materials:					
Nonexpendable	24,729	-	24,729	-	-
Expendable	49,697	-	49,697	-	-
Other Purposes	-	-	-	2,104,718	873
Liability Insurance Pool		-	-	-	-
Unrestricted	98,790,818	17,821,082	116,611,900	1,662,463	2,055,915
Total Net Assets	$ 747,861,790	$ 332,397,278	$ 1,080,259,068	$ 5,442,081	$ 2,056,788

The notes to the financial statements are an integral part of this statement.

Statement of Activities

Function/Program Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	$ 19,856,554	$ 3,189,992	$ 2,347,828	$ 225,616
Public Safety:				
Fire Protection	18,960,776	159,449	496,618	-
Police Protection	24,729,968	293,515	309,573	23,282
Highways and Streets	35,227,133	650,765	776,204	30,420,920
Public Health	7,395,904	3,392,462	2,167,590	-
Culture and Recreation:				
Arena	1,252,649	242,003	-	-
Libraries	5,885,357	213,198	824,054	8,916
Parks and Recreation	16,608,957	1,094,668	1,908,766	750,025
Pavilion	4,949,697	-	-	-
Urban and Economic Development:				
Convention Center/CVB	2,753,108	11,525	-	-
Community Development	2,947,552	413,201	1,626,207	-
Neighborhood Revitalization	43,619	-	150,000	-
TIF	1,262,055	-	-	-
Planning and Building Services	4,300,531	2,965,711	270,039	-
Interest on Long-Term Debt	3,270,391	-	-	-
Total Governmental Activities	149,444,251	12,626,489	10,876,879	31,428,759
Business-type Activities:				
Electric Light	5,629,189	6,277,407	-	1,017,384
Public Parking	2,136,712	2,543,085	-	-
Sanitary Landfill	6,505,768	7,840,266	4,516	8,795
Water	19,673,830	19,814,189	-	5,471,504
Water Reclamation	14,298,947	12,453,800	70,000	4,271,433
Total Business-type Activities	48,244,446	48,928,747	74,516	10,769,116
Total Government	$ 197,688,697	$ 61,555,236	$ 10,951,395	$ 42,197,875
Component Units:				
Housing & Redevelopment Commission	$ 10,657,056	$ 588,264	$ 9,968,536	$ -
Metro Communications Agency	3,692,859	2,480,785	1,443,767	-
	$ 14,349,915	$ 3,069,049	$ 11,412,303	$ -
General Revenues:				
Taxes:				
Property Tax				
Sales Tax				
Frontage Tax				
Amusement Tax				
Unrestricted State and County Shared Revenues				
Unrestricted Investment Earnings				
Miscellaneous Revenue, Net				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

The notes to the financial statements are an integral part of this statement.

Statement of Activities (cont)

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Commission	Metro Communications Agency
$ (14,093,118)	$ -	$ (14,093,118)		
(18,304,709)	-	(18,304,709)		
(24,103,598)	-	(24,103,598)		
(3,379,244)	-	(3,379,244)		
(1,835,852)	-	(1,835,852)		
(1,010,646)	-	(1,010,646)		
(4,839,189)	-	(4,839,189)		
(12,855,498)	-	(12,855,498)		
(4,949,697)	-	(4,949,697)		
(2,741,583)	-	(2,741,583)		
(908,144)	-	(908,144)		
106,381	-	106,381		
(1,262,055)	-	(1,262,055)		
(1,064,781)	-	(1,064,781)		
(3,270,391)	-	(3,270,391)		
(94,512,124)	-	(94,512,124)		
-	1,665,602	1,665,602		
-	406,373	406,373		
-	1,347,809	1,347,809		
-	5,611,863	5,611,863		
-	2,496,286	2,496,286		
-	11,527,933	11,527,933		
(94,512,124)	11,527,933	(82,984,191)		
			$ (100,256)	$ -
			-	231,693
			(100,256)	231,693
37,755,218	-	37,755,218	-	-
93,503,420	-	93,503,420	-	-
8,962,556	-	8,962,556	-	-
14,304	-	14,304	-	-
7,202,802	-	7,202,802	-	-
6,326,364	4,149,547	10,475,911	92,170	-
298,205	(90,904)	207,301	-	-
(972,758)	972,758	-	-	-
153,090,111	5,031,401	158,121,512	92,170	-
58,577,987	16,559,334	75,137,321	(8,086)	231,693
689,283,803	315,837,944	1,005,121,747	5,450,167	1,825,095
$ 747,861,790	$ 332,397,278	$ 1,080,259,068	$ 5,442,081	$ 2,056,788

Balance Sheet - Governmental Funds

	General	Entertainment Tax	Sales and Use Tax
Assets			
Cash and Cash Equivalents	$ 42,345,237	$ 5,353,021	$ 25,168,255
Receivables:			
Taxes-Delinquent	1,211,848	-	-
Accounts (net of allowance for uncollectibles)	1,662,789	-	-
Interest and Penalty	592,542	32,700	12,233
Special Assessments	35,877	-	1,336,532
Rehabilitation Loans and Grants	-	-	-
Due from Other Funds	41,140	-	-
Due from Other Governments	2,110,377	179,148	1,486,519
Inventory of Supplies and Stores	1,842,231	-	-
Notes Receivable	-	-	1,068,776
Total Assets	$ 49,842,041	$ 5,564,869	$ 29,072,315
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	$ 639,922	$ 36,823	$ 593,816
Interest Payable	-	108,047	157,443
Due to Other Funds		-	-
Accrued Wages	3,487,091	-	-
Bond Anticipation Notes	-	-	-
Deposits	29,700	-	-
Deferred Revenue	928,507	-	1,268,577
Total Liabilities	5,085,220	144,870	2,019,836
Fund Balances			
Reserved for:			
Inventories	1,842,231	-	-
Encumbrances	-	68,241	10,564,369
Debt Service	-	2,151,223	8,791,486
Notes Receivable	-	-	1,068,776
Other Purposes	811,735	-	102,388
Unreserved Designated for:			
2009 Budget	-	373,217	-
Capital Projects	-	669,575	6,525,460
Unreserved Undesignated, Reported in:			
General Fund	42,102,855	-	-
Special Revenue Funds	-	2,157,743	-
Capital Project Funds	-	-	-
Permanent Funds	-	-	-
Total Fund Balances	44,756,821	5,419,999	27,052,479
Total Liabilities and Fund Balances	$ 49,842,041	$ 5,564,869	$ 29,072,315

The notes to the financial statements are an integral part of this statement.

Balance Sheet - Governmental Funds (cont)

Community Development	Storm Drainage	Other Governmental Funds	Total Governmental Funds
$ 1,140,121	$ 4,201,759	$ 19,102,050	$ 97,310,443
-	-	-	1,211,848
-	65,586	8,813	1,737,188
9,907	38,266	199,998	885,646
-	-	-	1,372,409
16,403,096	-	-	16,403,096
-	-	-	41,140
-	-	19,857	3,795,901
-	-	1,051,982	2,894,213
441,445	-	-	1,510,221
$ 17,994,569	$ 4,305,611	$ 20,382,700	$ 127,162,105
$ 69,441	$ 435,492	$ 754,490	$ 2,529,984
-	5,399	253,967	524,856
-	-	41,140	41,140
25,977	35,820	190,785	3,739,673
-	-	5,449,390	5,449,390
-	-	-	29,700
16,796,109	-	-	18,993,193
16,891,527	476,711	6,689,772	31,307,936
-	-	1,051,982	2,894,213
-	1,082,785	7,038,882	18,754,277
-	-	-	10,942,709
-	-	-	1,068,776
895,668	-	26,749	1,836,540
-	104,401	-	477,618
-	1,718,658	-	8,913,693
-	-	-	42,102,855
207,374	923,056	2,042,742	5,330,915
-	-	3,476,000	3,476,000
-	-	56,573	56,573
1,103,042	3,828,900	13,692,928	95,854,169
$ 17,994,569	$ 4,305,611	$ 20,382,700	$ 127,162,105

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

Total Fund Balances for Governmental Funds		$ 95,854,169
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital Assets	$ 1,052,403,523	
Accumulated Depreciation	(342,029,391)	710,374,132
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,297,732
Internal service funds are used by management to charge the costs of fleet management, insurance programs, and technology equipment to individual funds. The assets and liabilities of the internal service funds are included in the Statement of Net Assets as follows:		
Governmental Activities	29,539,085	
Business-Type Activities	(1,308,401)	28,230,684
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Installment Obligations	(639,088)	
Notes Payable-Revenue	(33,581,292)	
Bonds Payable-Revenue	(50,159,260)	
Accrued Sick Leave	(9,254,017)	(93,633,657)
Long-term receivables are not due and receivable in the current period and therefore are not reported in the funds.		5,738,730
Net Assets of Governmental Activities		$ 747,861,790

The notes to the financial statements are an integral part of this statement.

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Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

	General	Entertainment Tax	Sales and Use Tax
Revenues			
Taxes:			
Property	$ 37,718,048	$ -	$ -
Sales	45,179,704	5,127,021	41,568,499
Frontage	3,734,400	-	-
Lodging	572,173	-	-
Amusement	14,304	-	-
Penalties and Interest	66,737	-	-
Special Assessments	23,949	-	394,029
Licenses and Permits	4,620,792	-	-
Intergovernmental	9,441,843	-	1,328,895
Charges for Goods and Services	5,239,486	11,525	-
Fines and Forfeitures	1,148,449	-	-
Investment Revenue	3,521,754	227,864	222,718
Rentals/Operating Leases	459,977	-	-
Contributions	218,862	-	1,053,161
Miscellaneous Revenue	88,056	-	194
Total Revenues	112,048,534	5,366,410	44,567,496
Expenditures			
Current:			
General Government	12,004,046	-	28,520
Public Safety	42,147,680	-	-
Highways and Streets	17,853,737	-	1,481
Public Health	7,145,393	-	26,950
Culture and Recreation	18,117,832	1,785,513	-
Urban and Economic Development	5,160,199	1,084,311	-
Debt Service:			
Principal	-	1,350,000	6,773,625
Interest and Fiscal Charges	-	946,055	1,977,114
Capital Outlay			
General Government	-	-	139,640
Public Safety	7,695	-	2,186,273
Highways and Streets	-	-	28,931,762
Public Health		-	71,362
Culture and Recreation		928,052	10,596,876
Urban and Economic Development	-	73,280	342,907
Enterprise	-	-	57,268
Total Expenditures	102,436,582	6,167,211	51,133,778
Revenues Over (Under) Expenditures	9,611,952	(800,801)	(6,566,282)
Other Financing Sources (Uses)			
Sale of Surplus Property	39,928	256	77,559
Damage Recovery	30,522	-	-
Revenue Note Proceeds	-	-	-
Revenue Bond Proceeds	-	-	-
Transfers In	-	-	237,097
Transfers Out	(4,273,274)	-	-
Total Other Financing Sources (Uses)	(4,202,824)	256	314,656
Net Change in Fund Balances	5,409,128	(800,545)	(6,251,626)
Fund Balances, January 1	39,347,693	6,220,544	33,304,105
Fund Balances, December 31	$ 44,756,821	$ 5,419,999	$ 27,052,479

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds (cont)

Community Development	Storm Drainage	Other Governmental Funds	Total
$ -	$ -	$ 37,170	$ 37,755,218
-	-	-	91,875,224
-	5,228,156	-	8,962,556
-	-	-	572,173
-	-	-	14,304
-	-	-	66,737
-	1,742,729	-	2,160,707
-	-	-	4,620,792
1,626,207	-	3,836,166	16,233,111
-	-	732,878	5,983,889
-	-	180	1,148,629
104,446	190,083	909,198	5,176,063
413,202	-	-	873,179
-	400,130	154,270	1,826,423
8,330	32,205	1,692	130,477
2,152,185	7,593,303	5,671,554	177,399,482
-	-	6,898,032	18,930,598
-	-	-	42,147,680
-	1,381,954	116,671	19,353,843
-	-	-	7,172,343
-	-	4,979	19,908,324
2,960,573	-	1,305,674	10,510,757
-	91,055	-	8,214,680
-	25,116	311,298	3,259,583
-	-	874	140,514
-	-	-	2,193,968
-	6,819,893	4,018,418	39,770,073
-	-	-	71,362
-	-	10,505,568	22,030,496
-	-	-	416,187
-	-	496,455	553,723
2,960,573	8,318,018	23,657,969	194,674,131
(808,388)	(724,715)	(17,986,415)	(17,274,649)
-	-	902	118,645
-	840	-	31,362
-	976,468	-	976,468
-	-	3,324,260	3,324,260
264,500	-	4,008,774	4,510,371
-	-	-	(4,273,274)
264,500	977,308	7,333,936	4,687,832
(543,888)	252,593	(10,652,479)	(12,586,817)
1,646,930	3,576,307	24,345,407	108,440,986
$ 1,103,042	$ 3,828,900	$ 13,692,928	$ 95,854,169

City of Sioux Falls
Comprehensive Annual Financial Report
Year Ended December 31, 2008

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Net Change in Fund Balances - Total Governmental Funds		$ (12,586,817)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as deprecation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Expenditures for Capital Assets	$ 65,176,325	
Gains/Losses on Capital Assets	(1,399,270)	
Capital Assets transferred from Business-type Activities	3,000	
Capital Assets transferred to Business-type Activities	(1,212,855)	
Less Current Year Depreciation	(28,158,756)	34,408,444
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Developer Contributions of Infrastructure		27,727,391
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Principal Payments	8,214,680	
Revenue Bond Proceeds	(3,324,260)	
Revenue Note Proceeds	(976,468)	3,913,952
Some revenues reported in the Statement of Activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.		
Due From Other Governments - Taxes		2,353,755
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		(573,325)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported within governmental activities.		3,334,588
Change in Net Assets of Governmental Activities		$ 58,577,988

The notes to the financial statements are an integral part of this statement.

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Statement of Net Assets - Proprietary Funds

	Enterprise Funds		
	Electric Light	Public Parking	Sanitary Landfill
Assets			
Current:			
Cash and Cash Equivalents	$ 2,057,584	$ 3,614,656	$ 11,025,532
Investments	-	-	-
Receivables, net:			
Accounts	500,459	6,101	641,576
Interest	20,356	36,357	109,988
Special Assessments	-	-	-
Unbilled	233,642	-	-
Due From Other Funds	-	-	-
Due From Other Governments	-	-	16,766
Inventory of Supplies and Stores	411,857	-	9,303
Total Current Assets	3,223,898	3,657,114	11,803,165
Noncurrent:			
Unamortized Debt Issuance Costs	-	55,500	-
Deposits		-	-
Capital Assets:			
Land	1,366	4,623,198	1,779,970
Buildings	417,522	-	3,501,666
Improvements Other Than Buildings	9,250	16,690,621	9,247,937
Machinery and Equipment	929,824	388,598	2,424,109
Infrastructure	25,499,108	-	2,926,975
Intangibles	-	-	-
Construction in Progress	497,887	-	1,874,105
Less: Accumulated Depreciation	(11,226,431)	(11,671,392)	(5,744,782)
Total Noncurrent Assets	16,128,526	10,086,525	16,009,980
Total Assets	19,352,424	13,743,639	27,813,145
Liabilities			
Current:			
Accounts Payable	320,612	13,859	602,420
Accrued Wages	44,122	36,679	66,272
Prepaid Revenue	-	137,649	-
Accrued Interest Payable	-	17,843	42,695
Incurred But Not Reported Claims	-	-	-
Due To Other Funds	3,025	-	-
Installment Obligations	-	-	315,132
Notes Payable-Revenue	-	-	327,790
Bonds Payable-Revenue	-	380,000	-
Deposits	38,191	20,843	6,300
Total Current Liabilities	405,950	606,873	1,360,609
Noncurrent:			
Accrued Compensated Absences	211,744	100,965	242,963
Rebatable Arbitrage	-	-	-
Closure & Postclosure Care Costs	-	-	6,020,908
Installment Obligations	-	-	1,395,499
Notes Payable-Revenue	-	-	1,843,832
Bonds Payable-Revenue	-	2,235,000	-
Total Noncurrent Liabilities	211,744	2,335,965	9,503,202
Total Liabilities	617,694	2,942,838	10,863,811
Net Assets:			
Invested in Capital Assets, Net of Related Debt	16,128,526	7,923,525	13,927,727
Restricted for Liability Insurance Pool	-	-	-
Restricted for Debt Service	-	533,222	-
Restricted for Capital Replacement	-	-	-
Unrestricted	2,606,204	2,344,054	3,021,607
Total Net Assets	$ 18,734,730	$ 10,800,801	$ 16,949,334
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			
Net assets of business-type activities			

The notes to the financial statements are an integral part of this statement.

Statement of Net Assets - Proprietary Funds (cont)

Enterprise Funds (cont)			Internal
Water	Water Reclamation	Total	Service Funds
$ 44,068,690	$ 10,951,452	$ 71,717,914	$ 20,402,037
39,859	-	39,859	
700,350	544,930	2,393,416	374,352
1,335,128	114,328	1,616,157	208,381
257,979	-	257,979	-
869,034	809,444	1,912,120	-
18,067	-	18,067	-
-	-	16,766	17,239
2,111,008	294,316	2,826,484	527,511
49,400,115	12,714,470	80,798,762	21,529,520
-	-	55,500	-
-	-	-	1,141,359
6,154,916	596,741	13,156,191	-
16,365,542	6,522,092	26,806,822	113,145
45,000	186,449	26,179,257	421,120
24,626,644	9,178,255	37,547,430	23,056,305
188,286,267	212,182,649	428,894,999	-
41,327,116	-	41,327,116	-
3,861,247	1,189,919	7,423,158	16,247
(64,857,910)	(79,994,229)	(173,494,744)	(14,357,191)
215,808,822	149,861,876	407,895,729	10,390,985
265,208,937	162,576,346	488,694,491	31,920,505
275,501	510,584	1,722,976	73,595
217,510	169,670	534,253	102,129
-	-	137,649	-
917,666	232,043	1,210,247	10,808
-	-	-	1,300,000
-	15,042	18,067	-
-	-	315,132	172,879
2,885,667	3,629,735	6,843,192	-
-	-	380,000	-
273,666	-	339,000	-
4,570,010	4,557,074	11,500,516	1,659,411
726,301	534,070	1,816,043	165,595
529,922	-	529,922	-
-	-	6,020,908	-
-	-	1,395,499	556,414
16,669,617	45,594,277	64,107,726	-
70,000,000	-	72,235,000	-
87,925,840	46,128,347	146,105,098	722,009
92,495,850	50,685,421	157,605,614	2,381,420
164,842,990	100,637,864	303,460,632	8,520,333
-	-	-	1,141,359
2,215,643	-	2,748,865	-
-	8,366,699	8,366,699	-
5,654,454	2,886,362	16,512,681	19,877,393
$ 172,713,087	$ 111,890,925	331,088,877	$ 29,539,085
		1,308,401	
		$ 332,397,278	

City of Sioux Falls
Comprehensive Annual Financial Report
Year Ended December 31, 2008

Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds

	Enterprise Funds		
	Electric Light	Public Parking	Sanitary Landfill
Operating Revenues:			
Charges for Goods and Services	$ 6,268,877	$ -	$ -
Fines and Forfeitures	8,530	-	-
Pledged as Security for Revenue Bonds and Notes:			
Charges for Goods and Services	-	2,130,538	7,840,086
Fines and Forfeitures	-	412,547	180
Total Operating Revenues	6,277,407	2,543,085	7,840,266
Operating Expenses:			
Personnel Services	476,281	805,073	1,554,399
Casualty Loss	-	-	-
Insurance	9,359	32,195	15,530
Professional Services	200,390	289,732	801,194
Rent	58,666	2,555	526,434
Repairs and Maintenance	271,864	91,993	258,445
Supplies and Materials	60,204	29,111	596,051
Utilities and Bulk Energy	3,507,014	109,169	75,097
Depreciation	1,044,114	639,653	1,884,972
Other Current Expenses	15,281	1,906	694,540
Total Operating Expenses	5,643,173	2,001,387	6,406,662
Operating Income (Loss)	634,234	541,698	1,433,604
Nonoperating Revenues (Expenses):			
Investment Revenue	108,614	190,459	651,903
Gain (Loss) on Capital Assets	10,480	43	5,324
Rent/Operating Leases	11,241	1,200	24,915
Cost Recovery	-	-	-
Contributions	-	-	91,719
Miscellaneous	1,914	2,223	31,242
Federal Grants	-	-	-
State Grants	-	-	4,516
Interest Expense and Fiscal Agent Charges	-	(162,138)	(125,116)
Total Nonoperating Revenues (Expenses)	132,249	31,787	684,503
Income (Loss) Before Contributions and Transfers	766,483	573,485	2,118,107
Capital Contributions	1,017,384	1,212,855	8,795
Transfers In	-	-	-
Transfers Out	(5,665)	-	-
Change in Net Assets	1,778,202	1,786,340	2,126,902
Total Net Assets - January 1	16,956,528	9,014,461	14,822,432
Total Net Assets - December 31	$ 18,734,730	$ 10,800,801	$ 16,949,334

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in Net Assets of Business-type Activities

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds (cont)

Enterprise Funds			Internal Service Funds
Water	Water Reclamation	Total	
$ -	$ -	$ 6,268,877	$ 19,269,689
-	-	8,530	-
19,808,549	12,453,800	42,232,973	-
5,640	-	418,367	-
19,814,189	12,453,800	48,928,747	19,269,689
4,745,809	3,464,889	11,046,451	1,664,943
-	-	-	9,657,518
90,871	110,242	258,197	1,110,886
1,061,174	456,128	2,808,618	1,369,848
157,556	202,954	948,165	38,220
1,131,033	470,997	2,224,332	144,009
1,950,430	458,554	3,094,350	1,090,697
1,337,004	1,064,738	6,093,022	16,947
5,458,724	6,820,137	15,847,600	1,925,439
431,126	116,743	1,259,596	132,399
16,363,727	13,165,382	43,580,331	17,150,906
3,450,462	(711,582)	5,348,416	2,118,783
2,549,608	648,963	4,149,547	1,083,564
236,074	(8,116)	243,805	149,915
94,112	3,241	134,709	-
113,564	315,841	429,405	-
175	2	91,896	220,943
(68,048)	(714,244)	(746,913)	17,813
-	70,000	70,000	-
-	-	4,516	42,133
(3,669,502)	(1,238,919)	(5,195,675)	(10,808)
(744,017)	(923,232)	(818,710)	1,503,560
2,706,445	(1,634,814)	4,529,706	3,622,343
5,471,504	4,271,433	11,981,971	-
5,665	-	5,665	-
-	(240,097)	(245,762)	-
8,183,614	2,396,522	16,271,580	3,622,343
164,529,473	109,494,403		25,916,742
$ 172,713,087	$ 111,890,925		$ 29,539,085
		287,754	
		$ 16,559,334	

Statement of Cash Flows - Proprietary Funds

	Enterprise Funds	
	Electric Light	Public Parking
Cash Flows Provided by Operating Activities:		
Receipts from Customers	$ 4,451,208	$ 2,118,281
Cash Receipts from Interfund Services Provided	1,658,478	56,185
Payments to Suppliers	(4,027,583)	(537,549)
Payment for Interfund Services Used	(38,279)	(6,271)
Payments to Employees	(461,049)	(834,597)
Claims Paid	-	-
Other Receipts	11,230	415,394
Net Cash Provided by Operating Activities	1,594,005	1,211,443
Cash Flows Provided (Used) By Noncapital Financing Activities:		
Advance From Other Funds	-	(61,400)
Subsidy from Federal Grant	-	-
Subsidy from State Grant	-	-
Transfers Out	-	-
Net Cash Flows Provided (Used) By Noncapital Financing Activities	-	(61,400)
Cash Flows Provided (Used) By Capital and Related Financing Activities:		
Sale of Capital Assets	12,560	43
Purchase of Capital Assets	(821,740)	-
Interest Payments	-	(165,285)
Proceeds from Revenue Notes	-	-
Principal Payments-Revenue Notes	-	-
-Bonds	-	(360,000)
-Installment Obligations	-	-
Net Cash Flows (Used) By Capital and Related Financing Activities	(809,180)	(525,242)
Cash Flows Provided By Investing Activities:		
Sale and Maturity of Investments	-	-
Rent Received	11,241	1,200
Investment Revenue Received	88,258	187,393
Net Cash Flows Provided By Investing Activities	99,499	188,593
Net Increase in Cash & Cash Equivalents During the Year	884,324	813,394
Cash and Cash Equivalents, January 1	1,173,260	2,801,262
Cash and Cash Equivalents, December 31	$ 2,057,584	$ 3,614,656
Reconciliation Of Operating Income (Loss) To Net Cash Provided By Operating Activities:		
Operating Income (Loss)	$ 634,234	$ 541,698
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	1,044,114	639,653
Amortization	-	9,384
(Increase) Decrease in-Receivables	(160,591)	(3,518)
-Inventory	(2,287)	-
-Due From Other Funds	1,400	-
-Due From Other Governments	-	-
Increase (Decrease) in-Accounts Payable	59,203	3,457
-Accrued Wages	6,199	3,183
-Prepaid Revenue	-	47,446
-Compensated Absences	9,033	(32,707)
-Deposits	717	625
-Other Accrued Liabilities	-	-
-Due To Other Funds	69	-
Other Revenue Sources (Uses)	1,914	2,222
Net Cash Provided By Operating Activities	$ 1,594,005	$ 1,211,443
Noncash Investing, Capital and Financing Activities:		
Capital Contributions	$ 1,017,384	$ 1,212,855
Capital Assets Acquired with Capital Lease	-	-
Change in Fair Value of Investments	-	-
Capital Transferred to Governmental Funds	-	-
Capital Transfers	(5,665)	-

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows - Proprietary Funds (cont)

Enterprise Funds (cont)				Internal
Sanitary Landfill	Water	Water Reclamation	Total	Service Funds
$ 7,693,964	$ 19,653,183	$ 12,444,069	$ 46,360,705	$ 4,068,203
18,451	261,198	47,251	2,041,563	15,224,285
(2,643,432)	(6,529,410)	(2,337,183)	(16,075,157)	(4,077,406)
(6,035)	(52,846)	(84,446)	(187,877)	8,455
(1,515,750)	(4,580,148)	(3,445,407)	(10,836,951)	(1,639,616)
-	-	-	-	(9,657,518)
769,559	9,536	(397,827)	807,892	59,946
4,316,757	8,761,513	6,226,457	22,110,175	3,986,349
-	-	-	(61,400)	-
-	-	70,000	70,000	-
4,516	-	-	4,516	-
-	-	(237,097)	(237,097)	-
4,516	-	(167,097)	(223,981)	-
5,324	347,212	111	365,250	246,761
(4,746,752)	(21,972,706)	(5,940,763)	(33,481,961)	(2,144,043)
(146,209)	(3,678,460)	(1,331,894)	(5,321,848)	-
69,966	3,470,297	3,083,011	6,623,274	-
(128,378)	(2,689,044)	(2,983,362)	(5,800,784)	-
-	-	-	(360,000)	-
(325,360)	-	-	(325,360)	(198,818)
(5,271,409)	(24,522,701)	(7,172,897)	(38,301,429)	(2,096,100)
-	19,076	-	19,076	-
24,915	94,112	3,241	134,709	-
676,784	3,126,402	670,117	4,748,954	1,086,187
701,699	3,239,590	673,358	4,902,739	1,086,187
(248,437)	(12,521,598)	(440,179)	(11,512,496)	2,976,436
11,273,969	56,590,288	11,391,631	83,230,410	17,425,601
$ 11,025,532	$ 44,068,690	$ 10,951,452	$ 71,717,914	$ 20,402,037
$ 1,433,604	$ 3,450,462	$ (711,582)	$ 5,348,416	$ 2,118,783
1,884,972	5,458,724	6,820,137	15,847,600	1,925,439
-	-	-	9,384	-
(129,988)	(135,471)	37,520	(392,048)	(11,457)
(8,659)	(363,072)	33,213	(340,805)	(5,326)
-	(646)	-	754	-
2,317	-	-	2,317	34,256
326,483	181,959	425,514	996,616	(160,619)
13,349	35,827	17,036	75,594	26,862
-	-	-	47,446	-
25,300	129,834	2,446	133,906	(1,535)
1,450	(41,795)	-	(39,003)	-
644,968	-	-	644,968	-
-	-	577	646	-
122,961	45,691	(398,404)	(225,616)	59,946
$ 4,316,757	$ 8,761,513	$ 6,226,457	$ 22,110,175	$ 3,986,349
$ 8,795	$ 5,471,504	$ 4,271,433		
742,898	-	-		
-	(1,445)	-		
-	-	(3,000)		
-	5,665	-		

Statement of Fiduciary Net Assets - Fiduciary Funds

	Pension Trust Funds
Assets	
Cash and Cash Equivalents	$ 2,754,909
Receivables:	
Accounts	278,375
Interest	954,758
Total Receivables	1,233,133
Investments at Fair Value:	
US Government	2,954,282
Corporate Obligations	35,936,705
Foreign Obligations	10,202,138
State and Local Obligations	580,702
Domestic Stocks	46,724,601
Foreign Stocks	4,267,516
Index Funds:	
Equity	40,991,268
Government / Corporate Bonds	35,253,524
Mutual Funds:	
Foreign Equity	44,023,190
Domestic Equity	21,882,413
Real Estate	11,932,079
Total Investments	254,748,418
Total Assets	258,736,460
Liabilities	
Accrued Wages	4,099
Total Liabilities	4,099
Net Assets	
Held in Trust for Pension and Health Benefits	$ 258,732,361

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Assets - Fiduciary Funds

	Pension Trust Funds
Additions	
Contributions	
Employer	$ 10,396,692
Plan Members	2,922,458
Total Contributions	13,319,150
Investment Income (Loss)	(97,230,752)
Less Investment Expense	701,585
Net Investment Income (Loss)	(97,932,337)
Total Additions	(84,613,187)
Deductions	
Benefit Payments	
Pension	14,445,808
Health Premiums	1,092,613
Total Benefit Payments	15,538,421
Refunds	298,003
Administrative Expense	268,372
Total Deductions	16,104,796
Net Increase (Decrease)	(100,717,983)
Total Net Assets, January 1	359,450,344
Total Net Assets, December 31	$ 258,732,361

The notes to the financial statements are an integral part of this statement.

Notes to Financial Statements

Note 1—Summary of Significant Accounting Policies

A. BASIS OF PRESENTATION

The financial statements of the City have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

B. REPORTING ENTITY

The City of Sioux Falls is a municipality chartered under the constitution of the State of South Dakota and is governed by a Council, including a full-time Mayor who is vested with the executive and administrative powers of the City, as well as eight part-time Council members who serve in a policy-making and legislative capacity.

The accompanying financial statements present the City and its component units. Blended component units are entities which are legally separate from the City but which are so intertwined with the City that they are, in substance, the same as the City. Discretely presented component units are entities for which the City is considered to be financially accountable or for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

Blended Component Units

The Sioux Falls Building Authority was organized by the City of Sioux Falls in 1986 for the purpose of financing, owning, and leasing property to meet the needs of the City. The Authority is governed by a board comprised of the members of the City's governing council. The Authority is reported as part of the Water enterprise fund and therefore does not issue separate financial statements.

The Sioux Falls Regional Emergency Medical Services Authority was created by the City of Sioux Falls in 1996 to provide oversight and set/review quality of service provided by all EMS responders within Sioux Falls. The Authority is governed by a five member board appointed by the Mayor and comprised of community members. The Authority board functions as an advisory board related to the area of ambulance service in the community. Health Department employees provide support to the Authority board, which operates as an advisory board to the City Council. The Authority has no revenue, expenses, assets, or liabilities of it's own; therefore, no financial data is presented for the Authority within this report.

Discretely Presented Component Units

Metro Communications Agency was jointly formed by the City of Sioux Falls and Minnehaha County in 1980. In 2007, the City and County entered into a subsequent joint cooperative agreement changing the composition and structure of Metro Communications to an administrative agency with its own standing, separate and apart from the governmental organizations of either the City or the County, effective on January 1, 2008.

The agency is governed by a five member Council which includes the Mayor, two members of the City Council appointed by the Mayor, and two County Commissioners. The agency is responsible for county-wide public safety dispatch, maintenance of centralized dispatch records, and the maintenance and purchasing of related communication equipment. The Metro Communications Agency financial results presented within this report are for fiscal year-end as of December 31, 2008. Complete financial statements are available at the administrative offices located at 500 North Dakota Avenue in Sioux Falls, South Dakota.

The **Housing and Redevelopment Commission** of the City of Sioux Falls, South Dakota (Housing Commission), was organized pursuant to the Municipal Housing and Redevelopment Act of South Dakota as a public housing agency formed to provide financial assistance for low-income public housing pursuant to the United States Housing Act of 1937 (42 United States Code Section 1431 et seq.). The Mayor appoints the five members of the governing board. However, the City has no further accountability for the Housing Commission. In 2008, the Community Development Special Revenue Fund provided $196,982 of federal grant proceeds to the Housing Commission for housing assistance. The Housing Commission's fiscal year end presented in this report is September 30, 2008. Complete financial statements are available at the administrative offices located at 630 South Minnesota Avenue in Sioux Falls, South Dakota.

C. BASIC FINANCIAL STATEMENTS (GASB 34)

The basic financial statements are prepared in conformity with GASB Statement No. 34 and presented on both the government-wide and fund financial level. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

Government-wide Financial Statements

The government-wide financial statements, consisting of the statement of net assets and the statement of activities or changes in net assets, report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund and internal service fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise funds and governmental and internal service funds.

Notes to Financial Statements

Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

D. FINANCIAL STATEMENT PRESENTATION

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City electively added the Entertainment Tax Fund and the Storm Drainage Fund as they both have significant outstanding debt. The non-major funds are combined in a column in the fund financial statements and are detailed in the combining statements section.

The government reports the following **major governmental funds:**

The **General Fund** is the government's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenue sources include property and sales taxes, licenses and permits, state and county shared revenues, and charges for goods and services. In addition to general government, primary expenditures include public safety, highways and streets, health, library, and parks and recreation.

The **Entertainment Tax Fund** accounts for the collection of a 1 percent tax on lodging, sales of alcoholic beverages, prepared meals, as well as ticket sales and admissions. This tax is used to retire the 2001B sales/use tax revenue refunding bonds for the construction of the Convention Center and Washington Pavilion of Arts and Science and to provide operating funds for the two facilities.

The **Sales and Use Tax Fund** accounts for capital improvement projects and debt service funded by the second cent (.92) of City sales tax.

The **Community Development Fund** accounts for all activities financed by the Community Development Block Grant funds and similar Federal grant and loan programs.

The **Storm Drainage Fund** accounts for the activities financed by drainage and storm sewer fees as well as expenditures of state revolving loans used to make capital improvements to the storm drainage system.

Other governmental (non-major) funds is a compilation of all of the non-major governmental funds. These include additional special revenue, capital projects, and permanent funds.

The government reports the following **major proprietary funds:**

The **Electric Light Fund** accounts for the activities of the government's electric distribution operations.

The **Public Parking Facilities Fund** accounts for the activities of the government's parking system which provides on- and off-street parking in the downtown area.

The **Sanitary Landfill Fund** accounts for the activities of the government's landfill operations.

The **Water Fund** accounts for the activities of the government's water distribution system.

The **Water Reclamation Fund** accounts for the activities of the government's wastewater collection and treatment system.

Notes to Financial Statements

Additionally, the government reports the following fund types:

The **internal service funds** account for health, workers' compensation, liability insurance, technology equipment and fleet management services provided to other departments of the government, or to other governments, on a cost reimbursement basis.

The **pension trust funds** account for the activities of the City Employee's Retirement System and the City Firefighters' Pension Fund, which accumulates resources for pension benefit payments to qualified City employees.

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded, regardless of the measurement focus.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. This focus concentrates on the fund's net assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This focus concentrates on the fund's resources available for spending currently or in the near future. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for certain debt service, compensated absences and claim and judgment expenditures.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Special assessments are susceptible to accrual as revenue of the current period when the lien attaches to the benefited properties. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then, unrestricted resources as they are needed.

F. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Cash Equivalents—

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are identified only for the purpose of the Statement of Cash Flows.

A pooled cash account is maintained for all City funds except for Community Development. Those funds that have an average negative balance in the cash account are charged interest at the rate earned by the pool. Interest earnings are allocated to those funds that have an average positive balance in the cash account.

Investments—

Investments are stated at fair value based on quoted market prices. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties.

Receivables and Payables—

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., current interfund loans) or "advances to/from other funds" (i.e., non-current interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in the applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Notes to Financial Statements

All receivables are shown net of an allowance for uncollectible accounts. This allowance is equal to estimated losses that may be incurred in collection of outstanding receivables.

Inventories and Prepaid Items—

Inventories for both governmental and business-type funds are stated using the weighted average method. The cost of inventory is recognized as an expense in both the fund and the government-wide financial statements when used (consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer lines, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $7,500, and estimated useful life in excess of one year. Additions or improvements that significantly add value to an asset such as extending the useful life of an asset or increasing its capacity or efficiency are capitalized. Other costs for repairs and maintenance are expensed as incurred. The cost of equipment in excess of $5,000 is inventoried for purposes of federal grant reporting.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City chose to include all general infrastructure assets (those reported in the governmental activities), regardless of acquisition date or amount, using backtrending analysis to estimate historical costs.

Capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Primary Government:	
Buildings:	
Structures	40 years
Remodeling and renovation	15 years
Improvements other than buildings:	
Park improvements	10 - 30 years
Other	5 - 25 years
Machinery and equipment:	
Furniture and fixtures	10 - 20 years
Office equipment	5 - 10 years
Computer equipment	2 - 5 years
Library books	10 years
Vehicles	4 - 10 years
Heavy equipment	10 - 20 years
Utility system equipment	20 - 40 years
Other	5 - 20 years
Infrastructure:	
Streets	15 - 40 years
Traffic signals	15 years
Street and parking area lighting	15 years
Light distribution lines	40 years
Water distribution mains	50 years
Water reclamation lines	25 years
Storm drainage pipe	25 years
Other	20 - 50 years
Component Units:	
Housing Commission:	
Buildings	25 - 40 years
Modernization improvements	15 years
Equipment	5 years
Furnishings	5 years
Metro Communications Agency:	
Equipment	25 - 50 years

Net Assets/Fund Balance

The difference between assets and liabilities is "Net Assets" on the government-wide, proprietary and fiduciary fund financial statements, and "Fund Balance" on the governmental fund financial statements.

In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent those portions of fund balance that are not available to be appropriated for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Long-term Obligations—

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Notes to Financial Statements

G. REVENUES AND EXPENDITURES/EXPENSES

Compensated Absences—

It is the City's policy to permit employees to accumulate earned but unused vacation, comp time, and sick pay benefits. The accumulation of unused vacation and comp time is limited based upon employee classification. Upon separation, the City will reimburse the employee for accumulated vacation and comp time not to exceed established maximums. The amount of unused sick leave accumulation is not limited. Upon retirement, or upon separation in good standing for employees not represented by a bargaining unit, the City reimburses eligible employees a portion of unused sick leave. All compensated absences are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Vacation, comp time, and sick leave accruals are recognized as a long-term liability which will generally be liquidated from the General Fund. Thus, the governmental fund financial statements accrue vacation and comp time benefits only to the extent that they have matured due to retirement or separation from the City.

Grant Revenue—

The City recognizes grant revenues when all applicable eligibility requirements, including time requirements, are met. The City follows the policy that if expenditures of funds are the prime factor for determining eligibility for the grant funds, revenue is recognized at the time of the expenditure.

Retirement and Other Post-Employment Benefits—

The City has two separate retirement plans covering substantially all full-time and regular part-time employees. It is the City's policy to fund the normal costs and amortization of the unfunded prior service costs and to account for such costs on the accrual basis (See Note 9).

Self-Insurance—

The City is self-insured for workers' compensation, unemployment compensation, property casualty losses (deductible portion only), and health-life benefits (up to $250,000 per individual). Liabilities are recorded when a determinable claim or loss has been incurred and the amount of the loss can reasonably be estimated.

Deferred Revenue—

As sources of revenue become measurable, even though not currently available, they are generally recorded as a receivable and a deferred revenue in governmental funds. When the sources of revenue become available for use, they are recognized as revenue.

H. ACCOUNTING ESTIMATES

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2—Stewardship, Compliance, and Accountability

A. Compliance with Finance-Related Legal and Contractual Provisions

The City incurred no material violations of finance-related legal and contractual provisions.

B. Excess of Expenditures Over Appropriations at the Legal Level of Control

The City incurred no material excess of expenditures over appropriations at the legal level of control.

C. Net Assets/Fund Balance Deficits

The City had two funds with a negative fund balance at year end. The non-major Special Revenue - Railroad Relocation Fund has a negative balance of $32,558 as the project is federally funded on a reimbursement basis. The non-major Capital Project - Special Assessment Construction Fund has a negative fund balance of $3,350,639. Bond Anticipation Notes (BANS) were issued in 2008 to fund the initial construction of streets to be assessed on the adjacent properties. The BANS are to be repaid with special assessments bond proceeds which are authorized to be sold in 2009 upon completion of the projects and assessment of adjacent properties. Based upon these circumstances, both funds have a liability without a corresponding asset pending reimbursement or the issuance of bonds.

Note 3—Detailed Notes On All Funds

A. Deposits and Investments

The City maintains a pooled cash portfolio that is used by substantially all City funds using the pooled deposit and investment concept. This concept provides the City with the ability to maximize earnings on idle fund monies while ensuring that the liquidity needs of each fund are met and the integrity of the cash balances of each fund are preserved. This pool is governed by an investment policy established by the City Council. The pool consists of checking accounts, savings accounts, certificates of deposit, and securities guaranteed either directly or indirectly by the United States Government, including money market accounts, which are stated at market value. Fund equity in the pool is shown as cash and cash equivalents in all financial statements.

Governmental and Business-Type Funds

Investment Policy: The City has an adopted investment policy, conforming to all applicable laws of the State of South Dakota, which serves as the guide to the deposit and investment of operating funds which are managed within the City's pooled cash portfolio. This policy sets forth the City's investment objectives as well as authorized and suitable deposits and investments, and serves as a guide for proper diversification, maturity constraints, internal controls, and performance measurement. The foremost objective of the City's investment program as set forth by the investment

Notes to Financial Statements

policy is safety of principal. Investment decisions are made under the assumption that, except under limited circumstances, all investments within the pooled cash portfolio will be held to maturity.

There are certain deposits and investments that are held in trust for debt service or for specific purposes outside of the pooled cash portfolio and the adopted investment policy. These assets are governed by state law (SDCL 4-5-6) which sets forth eligible deposits and investments for the City. The same deposits and investments are allowed under both the City's investment policy and state law.

Allowable deposits and investments include:

a. Securities issued by the United States Treasury
b. Securities issued by government-sponsored enterprises (GSE's) or federally related institutions that are guaranteed directly or indirectly by the U.S. government (U.S. Agencies).
c. Mutual and money market funds that invest in (a) or (b)
d. Repurchase agreements fully collateralized by (a) or (b)
e. Certificates of Deposits (100% collateralized)
f. Deposit and Savings Accounts (100% collateralized)

Credit Risk. The credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's pooled cash investment policy allows for the investment in individual securities with maturities of five years or less from the date of purchase, and mutual and money market funds holding securities with maturities of five years or less. Outside of the pooled cash portfolio, the City does have a very small number of Governmental National Mortgage Association pooled securities with maturities in excess of 5 years. The chart below summarizes the credit quality of the City's investment holdings.

Custodial Credit Risk. The custodial credit risk for deposits and investments is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or investments or will not be able to recover collateral securities that are in the possession of an outside party. City deposits in excess of depository insurance must be 100 percent collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A. Collateral is required to be segregated by each depository as approved by the South Dakota Public Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve. As of December 31, 2008, the deposits of the City were $109.0 million. No depository fell below the 100 percent of pledged collateral required as of December 31, 2008. Other investments are held for safekeeping in the City's name by Treasury Direct or by a qualified bank or trustee pursuant to SDCL 4-5-9.

Concentration of credit risk. Concentration risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's pooled cash investment policy limits the City pooled cash portfolio to hold no more than 20 percent of the total pool investments in the deposit of a single financial institution and the exposure to federal agency securities, secured directly or indirectly, to no more than 40 percent of the total portfolio. No institution exceeded these established limits as of December 31, 2008.

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The below chart summarizes the City's deposits and investments using segmented time distribution. The City's pooled cash policy limits pooled cash investments to a maturity of five years or less to ensure adequate liquidity and minimize the impact of changes in interest rates. In matching investments to liabilities, the City does invest in longer-term Treasury and Agency securities outside of the pooled cash portfolio for specific obligations such as bond reserve funds.

Deposit/Investment Type	Credit Rating	Fair Value	Less Than 1 Year	1-3 Years	3-5 Years	5 or more Years
(a) U.S. Treasury Notes	N/A	$ 29,624,133	$ -	$ 12,722,500	$ 14,113,750	$ 2,787,883
(b) U. S. Agency Securities*	AAA	35,381,537	11,415,759	15,185,995	8,740,712	39,071
(c) Money Market Funds	AAA	14,336,485	14,336,485	-	-	-
(d) Repurchase Agreements**	N/A	1,099,500	-	1,099,500	-	-
(e) Certificates of Deposit	N/A	91,636,506	91,636,506	-	-	-
(f) Cash	N/A	17,392,092	17,392,092	-	-	-
Total		$ 189,470,253	$ 134,780,842	$ 29,007,995	$ 22,854,462	$ 2,826,954

* All agency securities are either Government National Mortgage Association (Ginnie Mae), Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), or Federal Home Loan Bank System.
** The underlying securities are U.S. Treasury Notes held in the City's name

Component Units

The Housing and Redevelopment Commission falls under South Dakota statutes (SDCL) 11-7-31, with supplementary authority granted under SDCL 4-5-6, in regards to permitted deposits and investments. The Commission has no further investment policy as to interest, credit, or concentration risk. As of September, 30, 2008, the deposits of the Authority were fully insured or collateralized as required by SDCL 4-6A. All deposits as of September 30, 2008, are in certificates of deposit.

The Metro Communication Agency's deposits in excess of depository insurance must be 100 percent collateralized.

Notes to Financial Statements

Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A. Collateral is required to be segregated by each depository as approved by the South Dakota Public Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve.

Fiduciary Funds

Investment Policy:

The pension trust funds are governed by the prudent person rule, that is, the Board of Trustees should use the same degree of skill, care, prudence and diligence, under the circumstances then prevailing, of a prudent person, familiar with such matters and acting in a similar capacity as set forth by state law (SDCL 9-16-5.10 and City Ordinance Section 35). Under this standard, the Board of Trustees has an established investment policy which outlines the distinction of responsibilities, prohibitions, diversification, and performance measurement standards.

The policy prohibits the use of any securities whose effect would be to leverage the portfolio or whose expected returns are significantly unlike those expected from their appropriate asset classes.

Deposits and Investments as of December 31, 2008, consisted of the following:

Fiduciary Fund Investments	Fair Value
Cash Deposits	$ 258,221
Money Market Fund	2,496,688
U.S. Treasury & Agency Obligations	2,954,282
Municipal Obligations	580,702
Corporate Obligations	46,138,843
Domestic Fixed Income - Index Funds	35,253,524
Domestic Stock - Separate Management	46,724,601
Domestic Stocks - Index Funds:	40,991,268
Domestic Stocks - Mutual Funds	21,882,413
International Stocks - Separate Management	4,267,516
International Stocks - Mutual Funds	44,023,190
Real Estate - Mutual Funds	11,932,079
Total Fiduciary Fund Deposits and Investments	$ 257,503,327

Custodial Credit Risk. The cash deposits of the fiduciary funds are held by the City within the general deposit cash account and subject to the same requirements as discussed for the governmental and business-type funds.

Credit Risk: In addition to a diversified index fund, the City uses one separately managed account for the management of fixed income securities. The investment policy requires that all individual securities separately managed must be rated "A" or better at the time of purchase. As of December 31, 2008, the separately managed portfolio consisted of the following securities:

Name	Rating	Amount	Effective Duration(yrs.)	Contribution to Duration(yrs.)
U.S. Treasuries	TSY	$ 2,954,282	29.0	1.72
Corporate Notes and Bonds	AAA	1,196,887	12.7	0.30
Corporate Notes and Bonds	AA	2,838,013	11.1	0.63
Corporate Notes and Bonds	A	36,576,161	11.2	8.22
Corporate Notes and Bonds	BBB	2,322,911	6.2	0.29
Corporate Notes and Bonds	<BB	28,600	0.0	0.00
Asset Backed Securities	AAA	3,369,661	7.7	0.52
Municipal Bonds	AA	580,702	10.5	0.12
Cash		47,005	0.0	0.00
Total		$ 49,914,222		11.80

The City's money market account for temporary cash held within the fiduciary funds has an average maturity of 41 days. There are no restrictions on the type of investments within the money market account; however, the account is AAA rated.

Concentration Risk: The City's investment policy prohibits the separately managed fixed income account to holding no more than five percent of the portfolio's market value in the securities of a single issuer or related issuer with the exception of U.S. guaranteed debt. There are no further concentration restrictions.

Foreign Currency Risk: Foreign currency is the risk that changes in exchange rates will adversely affect the fair value of an investment. The City prohibits the use of individual bonds which do not pay in U.S. dollars within the separately managed fixed income account.

B. Property Tax

Real property tax levies are established on or before October 1 of each year. Taxes are recorded as receivable, levied, and attached as an enforceable lien on property as of January 1 of each year. Taxes are payable in two installments on or before April 30 and October 31 of that year. The County bills and collects the City taxes and remits them to the City. The City accrues all delinquent property tax revenues received within 30 days after December 31. No accrual for the property tax levy becoming due in January of 2009 is included in the accompanying financial statements, since such taxes are collected to finance expenditures budgeted for the subsequent period.

The City is permitted by State statute to levy an increase of no more than the lesser of three percent or the index factor, as defined in the statutes, over the amount of revenue receivable from real property taxes in the preceding year, excluding the amount levied pursuant to an affirmative two-thirds vote of the governing body. After applying the index factor, the City may increase the revenue from real property taxes above the limitations by the percentage increase of value resulting from any improvements or change in use of real property, annexation, minor boundary changes, and any adjustments in taxation of property separately classified and subject to statutory adjustments and reductions, only if assessed the same as property of equal value. Property tax revenue may also be increased for the scheduled payment increases on bonded indebtedness incurred prior to December 31, 1996, and for a levy directed by the order of a court for the purpose of paying a judgment against the City.

The combined tax rate to finance municipal services for year-ended December 31, 2008, was $4.32 per $1,000 of taxable valuation.

Notes to Financial Statements

C. Receivables

Receivables for the City's individual major funds and aggregate nonmajor, internal service, and fiduciary and component units in aggregate, including the applicable allowances for uncollectible accounts, are as follows at December 31, 2008:

Primary Government	Taxes	Accounts	Interest & Penalty	Special Assessments	Notes Receivable	Loans Receivable	Unbilled	Allowance for Uncollectibles	Total
Governmental Activities									
General	$ 1,211,848	$ 2,021,486	$ 592,542	$ 35,877	$ -	$ -	$ -	$ (358,697)	$ 3,503,056
Entertainment Tax	-	-	32,700	-	-	-	-	-	32,700
Sales/Use Tax	-	-	12,233	1,336,532	1,068,776	-	-	-	2,417,541
Community Development	-	-	9,907	-	441,445	16,634,670	-	(231,574)	16,854,448
Storm Drainage	-	65,586	38,266	-	-	-	-	-	103,852
Nonmajor Funds	-	9,097	199,998	-	-	-	-	(284)	208,811
Internal Service Funds	-	376,267	208,381	-	-	-	-	(1,915)	582,733
Total Governmental Activities	1,211,848	2,472,436	1,094,027	1,372,409	1,510,221	16,634,670	-	(592,470)	23,703,141
Business-type Activities									
Electric Light	-	527,229	20,356	-	-	-	233,642	(26,770)	754,457
Public Parking Facilities	-	7,167	36,357	-	-	-	-	(1,066)	42,458
Sanitary Landfill	-	660,924	109,988	-	-	-	-	(19,348)	751,564
Water	-	758,988	1,335,128	257,979	-	-	869,034	(58,638)	3,162,491
Water Reclamation	-	659,258	114,328	-	-	-	809,444	(114,328)	1,468,702
Total Business-type Activities	-	2,613,566	1,616,157	257,979	-	-	1,912,120	(220,150)	6,179,672
Fiduciary Funds									
Employee's Retirement	-	205,839	692,512	-	-	-	-	-	898,351
Firefighters' Pension	-	72,536	262,246	-	-	-	-	-	334,782
Total Fiduciary Funds	-	278,375	954,758	-	-	-	-	-	1,233,133
Total Primary Government	$ 1,211,848	$ 5,364,377	$ 3,664,942	$ 1,630,388	$ 1,510,221	$ 16,634,670	$ 1,912,120	$ (812,620)	$ 31,115,946
Non current portion	$ -	$ -	$ -	$ 1,451,250	$ -	$ 16,479,321	$ -	$ -	$ 17,930,571
Component Units									
Housing Commission	$ -	$ 113,416	$ 3,623	$ -	$ 16,180	$ -	$ -	$ -	$ 133,219
Metro Communications Agency	$ -	$ 7,245	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,245

D. Interfund Receivables and Payables

Interfund receivables and payables result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The composition of individual interfund receivable and payable balances at December 31, 2008, was as follows:

Due to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Nonmajor governmental funds	
	Railroad Relocation	$ 41,140
Water	Electric Light	3,025
	Water Reclamation	15,042
		18,067
		$ 59,207

Notes to Financial Statements

E. Due from other Governments

Amounts Due from Other Governments include the following at December 31, 2008:

	Due from			
	Federal	State	Local	Total
Primary Government:				
Governmental Activities				
General Fund	$ 62,342	$ 4,782,967	$ 119,307	$ 4,964,616
Entertainment Tax	-	452,761	-	452,761
Sales/Use Tax	-	4,097,397	-	4,097,397
Railroad Relocation	8,582	-	-	8,582
Transit	-	-	11,275	11,275
Total Governmental Activities	70,924	9,333,125	130,582	9,534,631
Business-type Activities				
Enterprise Funds				
Landfill	-	189	16,577	16,766
Total Enterprise Funds	-	189	16,577	16,766
Internal Service Funds				
Fleet Revolving	-	-	17,239	17,239
Total Internal Service Funds	-	-	17,239	17,239
Total Primary Government	$ 70,924	$ 9,333,314	$ 164,398	$ 9,568,636
Component Unit				
Housing Commission	$ 47,749	$ -	$ -	$ 47,749

F. Interfund Transfers

Transfers are used to move revenues from the fund with collection authorization to the fund with expenditure authorization and move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The financial statements reflect interfund transfers as follows:

	Transfer in:					
	Sales and Use Tax	Community Development	Nonmajor Governmental Funds	Water	General Capital Assets	Total
Transfer out:						
General Fund	$ -	$ 264,500	$ 4,008,774	$ -	$ -	$ 4,273,274
Light	-	-	-	5,665	-	5,665
Water Reclamation	237,097	-	-	-	3,000	240,097
	$ 237,097	$ 264,500	$ 4,008,774	$ 5,665	$ 3,000	$ 4,519,036

Notes to Financial Statements

G. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

Primary Government:	Beginning Balance	Additions	Transfers & Retirements	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	$ 118,004,754	$ 6,308,043	$ (966,351)	$ 123,346,446
Intangibles (Rights)	1,270,944	1,214,251	-	2,485,195
Construction in Progress	5,975,567	79,190,363	(67,297,780)	17,868,150
Depreciable Assets:				
Buildings	147,099,738	2,064,424	(1,036,096)	148,128,066
Improvements other than Buildings	105,656,044	8,018,831	(915,192)	112,759,683
Equipment	62,819,753	6,629,747	(3,600,105)	65,849,395
Infrastructure	551,866,211	58,421,811	(4,714,617)	605,573,405
Totals at Historical Cost	992,693,011	161,847,470	(78,530,141)	1,076,010,340
Accumulated Depreciation				
Buildings	(54,762,928)	(5,781,587)	303,976	(60,240,539)
Improvements other than Buildings	(56,241,114)	(3,021,598)	542,828	(58,719,884)
Equipment	(37,430,617)	(5,609,054)	2,662,566	(40,377,105)
Infrastructure	(186,091,715)	(15,671,956)	4,714,617	(197,049,054)
Total Accumulated Depreciation	(334,526,374)	(30,084,195)	8,223,987	(356,386,582)
Governmental Activities Capital Assets, net	$ 658,166,637	$ 131,763,275	$ (70,306,154)	$ 719,623,758
Business-type Activities:				
Non-Depreciable Assets:				
Land	$ 10,737,258	$ 2,418,933	$ -	$ 13,156,191
Intangibles (Rights)	30,939,631	10,387,485	-	41,327,116
Construction in Progress	5,588,850	43,802,521	(41,968,213)	7,423,158
Depreciable Assets:				
Buildings	26,806,822	-	-	26,806,822
Improvements other than Buildings	24,223,547	1,981,068	(25,358)	26,179,257
Equipment	33,282,421	4,922,172	(657,163)	37,547,430
Infrastructure	404,288,565	24,695,140	(88,706)	428,894,999
Totals at Historical Cost	535,867,094	88,207,319	(42,739,440)	581,334,973
Accumulated Depreciation				
Buildings	(6,937,817)	(710,681)	-	(7,648,498)
Improvements other than Buildings	(13,970,169)	(2,184,920)	110,864	(16,044,225)
Equipment	(16,946,432)	(1,655,130)	419,364	(18,182,198)
Infrastructure	(120,409,580)	(11,296,869)	86,626	(131,619,823)
Total Accumulated Depreciation	(158,263,998)	(15,847,600)	616,854	(173,494,744)
Business-type Activities Capital Assets, net	$ 377,603,096	$ 72,359,719	$ (42,122,586)	$ 407,840,229
Total Primary Government Capital Assets, net	$ 1,035,769,733	$ 204,122,994	$ (112,428,740)	$ 1,127,463,987

Notes to Financial Statements

Component Units	Beginning Balance	Additions	Retirements	Ending Balance
Housing Commission				
Non-Depreciable Assets:				
Land	$ 504,280	$ -	$ -	$ 504,280
Depreciable Assets:				
Buildings	3,691,198	7,391	-	3,698,589
Improvements other than Buildings	39,467	-	-	39,467
Equipment	823,162	2,191	-	825,353
Totals at Historical Cost	5,058,107	9,582	-	5,067,689
Less Accumulated Depreciation:				
Buildings	(2,029,359)	(111,922)	-	(2,141,281)
Improvements other than Buildings	(12,728)	(2,276)	-	(15,004)
Equipment	(571,945)	(47,727)	-	(619,672)
Total Accumulated Depreciation	(2,614,032)	(161,925)	-	(2,775,957)
Total Housing Commission Capital Assets, net	$ 2,444,075	$ (152,343)	$ -	$ 2,291,732
Metro Communications Agency				
Depreciable Assets:				
Equipment	$ -	$ 2,043,981	$ -	$ 2,043,981
Vehicles	-	22,799	-	22,799
Totals at Historical Cost	-	2,066,780	-	2,066,780
Less Accumulated Depreciation:				
Equipment	-	(708,824)	-	(708,824)
Vehicles	-	(13,679)	-	(13,679)
Total Accumulated Depreciation	-	(722,503)	-	(722,503)
Total Metro Communications Agency Capital Assets, net	$ -	$ 1,344,277	$ -	$ 1,344,277

Notes to Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	**Amount**
General Government	$ 1,144,638
Public Safety	1,942,327
Highways & Streets	15,856,092
Health	244,231
Culture & Recreation	8,166,364
Urban & Economic Development	805,104
Capital Assets Held By The Government's Internal Service Funds	1,925,439
Total Depreciation Expense - Governmental Activities	$ 30,084,195
Business-type Activities:	
Electric Light	$ 1,044,114
Public Parking Facilities	639,653
Sanitary Landfill	1,884,972
Water	5,458,724
Water Reclamation	6,820,137
Total Depreciation Expense - Business-type Activities	$ 15,847,600

Notes to Financial Statements

Projects included in construction in progress for the primary government along with construction improvement commitments to be financed from encumbrances and unreserved fund balances carried forward into future years are as follows:

Project	Project Authorization	Expended to 12/31/2008	Committed
City Hall Power Supply	$ 413,401	$ 44,391	$ 369,010
Renovation of City Buildings	5,782	5,782	-
Remodel Former Health Building and City Hall	114,000	48,312	65,688
Arena Locker and Officials Room	64,401	-	64,401
Engineering Infrastructure Projects	12,989,252	3,971,564	9,017,688
Railroad Relocation Plan	9,640,832	-	9,640,832
Fire Truck	658,035	253,003	405,032
Construction Fire Station #11	60,000	-	60,000
Restore Fire Hose Tower	11,900	11,900	-
Fire Station #5	1,775,157	738,948	1,036,209
City/County Health & Human Services Building	29,138	-	29,138
Police Tactical Firearms Training	29,000	-	29,000
Downtown Historic Revitalization	150,000	-	150,000
Phillips Avenue Visual Art	50,000	12,500	37,500
Main Library Renovation	12,527,567	5,325,772	7,201,795
Street Overlay Projects	977,846	-	977,846
Equipment Storage Building Improvements	23,151	20,317	2,834
Fleet Gasboy Equipment	35,714	16,247	19,467
Light Projects	1,936,510	497,888	1,438,622
Arboretum Park	19,700	19,700	-
Bakker Park Renovation	1,306	-	1,306
Bike Trail Station Points	55,000	3,336	51,664
Bike Trail Construction/Reconstruction	1,430,571	34,396	1,396,175
Drake Springs Pool	4,700,001	3,188,769	1,511,232
Elmen Park Trailhead	157,494	-	157,494
Elmwood Park	62,318	32,327	29,991
Falls Park	1,420,039	618,861	801,178
Fawick Park	47,040	5,542	41,498
Galway Park	141,801	-	141,801
Great Bear Improvements	153,109	76,342	76,767
Great Plains Zoo Rhino Exhibit	105,778	105,778	-
Great Plains Zoo Master Plan	1,132,511	99,197	1,033,314
Great Plains Zoo Waterfowl	12,225	-	12,225
Green Hills Park Development	295,881	14,237	281,644
Harmodon Park	215,125	-	215,125
Jefferson Park	29,280	6,280	23,000
Judee Estates Development	16,200	12,943	3,257
Kuehn Park Improvements	26,522	-	26,522
Legacy Park	32,353	-	32,353
Park Land Acquisition	84,433	-	84,433
Park Roads and Parking Lot Improvements	55,701	585	55,116
Playcourt Cyclic Reconstruction	22,381	-	22,381
Prairie Meadows Park	56,746	8,000	48,746
Marion Road Park Improvements	1,503	-	1,503
McCart Park	67,101	36,404	30,697
McKennan Park	60,231	4,598	55,633
Memorial Park	7,358	7,358	-
Northwest Sioux Falls Park/School Site	350,000	-	350,000
Oak View Park	5,150	5,150	-
Riverfront Greenway Improvements	157,401	96,402	60,999
Sertoma Park	6,245	-	6,245
Sherman Park	179,073	10,027	169,046
Southeast Brandon Park/School Site	302,540	-	302,540
Southern Vistas Park/School Site	292,408	-	292,408
Terrace Park	70,000	-	70,000
Thelin Park	287,128	47,328	239,800
Tomar Park	92,800	10,698	82,102
Tuthill Park	654,219	501,242	152,977
Yankton Trail Park	7,617	-	7,617
Landfill Closure Pre-Subtitle D Area	721,916	-	721,916
Landfill Expansion	2,538,001	915,873	1,622,128
Landfill Gas System	75,000	-	75,000
Landfill Gas Utilization	2,227,403	781,626	1,445,777
Landfill Land Acquisition	357,298	-	357,298
Landfill Leachate Management System	75,121	-	75,121
Landfill Perimeter Fencing	89,500	-	89,500
Landfill Pre-Subtitle D Area Leachate/Gas Extraction System	177,622	-	177,622
Landfill Public Drop-off Area	89,735	-	89,735
Landfill Leachate Ponds	100,000	-	100,000
Landfill Leachate Recirculation Infrastructure	51,500	-	51,500
Landfill Sedimentation Pond & Wetlands	277,001	11,548	265,453
Landfill Wetland Mitigation	165,057	165,057	-
Washington Pavilion Art Storage HVAC	234,568	193,821	40,747
Washington Pavilion Cold Weather Compressor	1,000	-	1,000
Washington Pavilion Exterior Building Doors Replacement	50,000	-	50,000
Washington Pavilion Great Hall Amplifier Room	47,354	963	46,391
Washington Pavilion Window Replacement	581,529	54,121	527,408
Storm Sewer Projects	5,410,742	2,223,513	3,187,229
Storm Drainage Land Acquisition	140,185	1,500	138,685
Water Projects	33,462,918	3,861,249	29,601,669
Water Reclamation Projects	15,975,717	1,189,918	14,785,799
	$ 117,155,137	$ 25,291,308	$ 91,863,829

Notes to Financial Statements

H. Long-Term Liabilities

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt, including the current portion, of the City of Sioux Falls for the year ended December 31, 2008.

	Balance Beginning	Additions	Deletions	Balance Ending	Due Within One Year
Primary Government					
Governmental Activities:					
Bonds Payable:					
Revenue	$ 51,510,000	$ 3,324,260	$ 4,675,000	$ 50,159,260	$ 5,830,000
Obligations Under Capital Lease	705,216	928,111	264,947	1,368,380	244,845
Notes Payable	36,078,376	976,468	3,473,552	33,581,292	3,536,967
Total Debt	88,293,592	5,228,839	8,413,499	85,108,932	9,611,812
Accrued Compensated Absences					
Governmental Funds	8,852,062	5,567,565	5,165,610	9,254,017	5,200,000
Internal Service Funds	167,130	68,790	70,325	165,595	71,000
Total Governmental Activities	97,312,784	10,865,194	13,649,434	94,528,544	14,882,812
Business-type Activities:					
Bonds Payable:					
Revenue	72,975,000	-	360,000	72,615,000	380,000
Obligations Under Capital Lease	1,293,093	742,898	325,360	1,710,631	315,132
Revenue Notes Payable	70,128,428	6,623,273	5,800,783	70,950,918	6,843,192
Total Debt	144,396,521	7,366,171	6,486,143	145,276,549	7,538,324
Accrued Compensated Absences	1,682,137	923,452	789,546	1,816,043	790,000
Total Business-type Activities	146,078,658	8,289,623	7,275,689	147,092,592	8,328,324
Total Primary Government	$ 243,391,442	$ 19,154,817	$ 20,925,123	$ 241,621,136	$ 23,211,136
Component Unit					
Housing Commission					
Revenue Notes Payable	$ 647,033	$ -	$ 30,202	$ 616,831	$ 30,219
Accrued Compensated Absences	73,765	-	2,413	71,352	40,091
Total Component Unit	$ 720,798	$ -	$ 32,615	$ 688,183	$ 70,310

Notes to Financial Statements

Individual Debt Issues by Fund

The following is a summary of the individual debt issues, listed by fund, of the City of Sioux Falls for the year ended December 31, 2008.

PRIMARY GOVERNMENT		Purpose	Outstanding Interest Rate	Maturity Date	Authorized Not Issued Amount	Issue Amount	Amount Outstanding	Maximum Annual Debt Service
Governmental Activities								
Revenue Bonds & Notes								
Sales & Use Tax Fund								
Series 2001A Sales Tax	*	Public Safety Construction	4.25-5.50%	2010	$ -	$ 10,995,000	$ 4,280,000	$ 2,427,650
Series 2007B Sales Tax	*	Library & Park Projects	4.00-5.00%	2027	-	25,570,000	25,570,000	2,047,463
					-		29,850,000	4,475,113
State Revolving Note #20	***	Storm Drainage Construction	1.50%	2017	-	25,949,349	22,300,240	2,799,273
State Revolving Note #22	*	Storm Drainage Construction	2.50%	2017	-	10,550,000	9,609,337	1,195,640
					-		31,909,577	3,994,913
Total Sales & Use Tax					-		61,759,577	8,470,026
Entertainment Tax Fund								
Series 2001B Ent/Sales Tax	**	Partial Refunding (1993)	3.80-5.50%	2014	-	17,320,000	16,985,000	3,872,138
Storm Drainage Fund								
State Revolving Note #17		System Construction	3.50%	2015	-	561,320	364,490	66,608
State Revolving Note #19		System Construction	2.50%	2016	-	415,785	330,757	47,079
State Revolving Note #27		System Construction	2.50%	n/a	1,644,532	976,468	976,468	n/a
Total Storm Drainage					1,644,532		1,671,715	113,687
Tax Increment Financing Fund								
2008A Tax Increment		Cherapa Place	4.00-5.75%	2028	-	2,290,000	2,290,000	375,413
Neighborhood Revitalization Fund								
Series 2008A Sales Tax		Pettigrew Heights	5.50%	2015	3,965,740	1,034,260	1,034,260	1,091,144
Special Assessment Fund								
2007 Bond Anticipation Notes		Street Projects	4.25%	2009	-	5,449,390	5,449,390	5,680,989
Total Revenue Bonds & Notes					5,610,272		89,189,942	8,583,713
Other Long-Term Liabilities								
Obligations Under Capital Lease		City Hall Annex	8.49%	2014	-	1,424,763	639,088	123,467
Total Debt					5,610,272		89,829,030	8,707,180
Vested Compensated Absences		Accrued Vacation & Sick Leave			n/a		9,254,017	n/a
Total Governmental Activities					$ 5,610,272		$ 99,083,047	$ 8,707,180
Business-type Activities								
Revenue Bonds & Notes								
Public Parking								
Series 2000 Parking System		Parking Construction	4.90-5.60%	2014	$ -	5,075,000	$ 2,615,000	$ 526,007
Water								
Series 2007A Sales Tax	*	Lewis & Clark Regional Water System Prepayment	3.75-5.00%	2036	-	70,000,000	70,000,000	4,859,850
State Revolving Note #1		System Construction	4.50%	2010	-	6,496,745	1,359,920	812,458
State Revolving Note #2		System Construction	4.50%	2013	-	2,348,168	1,127,270	292,896
State Revolving Note #3		System Construction	3.50%	2014	-	7,930,000	4,676,177	938,374
State Revolving Note #4		System Construction	3.50%	2015	-	279,599	185,742	33,217
State Revolving Note #5		System Construction	2.50%	2016	1,920,234	10,828,766	9,047,957	1,289,203
State Revolving Note #6		System Construction	2.50%	2020	17,359,513	488,487	488,487	n/a
State Revolving Note #7		System Construction	2.50%	2020	1,393,551	806,449	806,449	n/a
State Revolving Note #8		System Construction	2.50%	2019	842,319	1,863,281	1,863,281	n/a
Total Water					1,920,234		89,555,283	8,225,998
Water Reclamation								
State Revolving Note #1	*	System Construction	3.00%	2012	-	2,836,963	640,688	188,802
State Revolving Note #14		System Construction	4.50%	2012	-	4,888,537	1,966,257	608,240
State Revolving Note #15		System Construction	3.50%	2014	-	1,467,706	917,743	174,162
State Revolving Note #16		System Construction	3.50%	2015	-	2,479,500	1,639,968	299,692
State Revolving Note #18		System Construction	2.50%	2016	220,886	3,730,114	3,063,475	436,047
State Revolving Note #21		System Construction	2.25%	2027	5,416,130	30,317,506	28,616,497	1,878,917
State Revolving Note #23	*	System Construction	2.50%	n/a	13,856	10,309,144	10,084,124	1,168,972
State Revolving Note #25		System Construction	2.50%	n/a	3,640,981	2,016,019	2,016,019	n/a
State Revolving Note #26		System Construction	2.50%	n/a	3,464,759	279,241	279,241	n/a
Total Water Reclamation					12,756,612		49,224,012	4,754,832
Landfill								
Solid Waste Management Program		Landfill Improvements			-	1,800,000	1,671,623	301,756
State Revolving Note #24		Landfill Improvements			-	500,000	500,000	78,083
Total Landfill					-		2,171,623	379,839
Other Long-Term Liabilities								
Obligations Under Capital Lease		Landfill Scrapers	5.25%	2012	-	1,528,108	1,125,965	600,000
Obligations Under Capital Lease		Landfill Dozer	3.25%	2012	-	742,898	584,665	158,232
Obligations Under Capital Lease		Fleet Motor Graders	3.50%	2013	-	928,111	729,293	198,818
Total Obligations Under Capital Lease					-		2,439,923	957,050
Total Debt					14,676,846		146,005,841	19,703,576
Vested Compensated Absences		Accrued Vacation & Sick Leave			n/a		1,816,044	n/a
Total Business-type Activities					$ 14,676,846		$ 147,821,885	$ 19,703,576
COMPONENT UNIT								
Housing Commission								
SDHDA Note		Affordable Housing	0.00%	2025		695,690	$ 613,757	$ 27,145
Bank Note		Affordable Housing	6.50%	2008		221,500	3,074	3,074
Vested Compensated Absences							71,352	40,091
Total Housing Commission							$ 688,183	$ 70,310

* Secured by pledge of the second (.92%) penny sales and use tax
** Secured by pledge of the second (.92%) penny sales and use tax and entertainment tax.
*** Secured by pledge of storm drainage revenues

Notes to Financial Statements

Revenue Bonds Payable

Bonds payable at December 31, 2008, consist of two issues backed and serviced solely by the second penny (.92) sales tax (Sales and Use Tax Fund), two issues backed and serviced by the entertainment tax (Entertainment Tax Fund) and secondarily by the second penny sales tax, one issue backed and serviced by the revenues of the public parking system (Public Parking Enterprise Fund), and one issue backed by the second penny sales tax and serviced by the Water Fund as shown above.

Debt service requirements for these revenue bonds at December 31, 2008, are as follows:

Entertainment Tax			
Year	Principal	Interest	Total
2009	$ 2,665,000	$ 864,378	$ 3,529,378
2010	3,035,000	749,782	3,784,782
2011	3,265,000	607,138	3,872,138
2012	3,410,000	427,562	3,837,562
2013	3,610,000	240,013	3,850,013
2014	1,000,000	55,000	1,055,000
Totals	$ 16,985,000	$ 2,943,873	$ 19,928,873

Sales and Use Tax			
Year	Principal	Interest	Total
2009	$ 3,165,000	$ 1,310,113	$ 4,475,113
2010	3,040,000	1,177,963	4,217,963
2011	1,010,000	1,025,463	2,035,463
2012	1,045,000	985,063	2,030,063
2013	1,085,000	943,263	2,028,263
2014	1,125,000	899,863	2,024,863
2015	2,199,260	854,863	3,054,123
2016	1,205,000	808,262	2,013,262
2017	1,255,000	760,062	2,015,062
2018	1,300,000	709,862	2,009,862
2019-2023	7,335,000	2,672,337	10,007,337
2024-2027	7,120,000	835,524	7,955,524
Totals	$ 30,884,260	$ 12,982,638	$ 43,866,898

Tax Increment			
Year	Principal	Interest	Total
2009	$ -	$ 55,831	$ 55,831
2010	-	121,813	121,813
2011	25,000	121,813	146,813
2012	20,000	121,313	141,313
2013	20,000	120,413	140,413
2014	60,000	119,613	179,613
2015	105,000	118,013	223,013
2016	105,000	114,608	219,608
2017	110,000	110,198	220,198
2018	115,000	105,573	220,573
2019-2023	675,000	504,816	1,179,816
2024-2028	1,055,000	175,228	1,230,228
Totals	$ 2,290,000	$ 1,789,232	$ 4,079,232

Public Parking			
Year	Principal	Interest	Total
2009	$ 380,000	$ 142,747	$ 522,747
2010	400,000	122,608	522,608
2011	425,000	101,007	526,007
2012	445,000	78,058	523,058
2013	470,000	53,805	523,805
2014	495,000	27,720	522,720
Totals	$ 2,615,000	$ 525,945	$ 3,140,945

Water			
Year	Principal	Interest	Total
2009	$ -	$ 3,104,850	$ 3,104,850
2010	-	3,104,850	3,104,850
2011	-	3,104,850	3,104,850
2012	-	3,104,850	3,104,850
2013	1,755,000	3,104,850	4,859,850
2014	1,815,000	3,039,038	4,854,038
2015	1,885,000	2,970,975	4,855,975
2016	1,960,000	2,898,138	4,858,138
2017	2,035,000	2,819,738	4,854,738
2018	2,120,000	2,738,338	4,858,338
2019-2023	11,995,000	12,011,437	24,006,437
2024-2028	14,825,000	8,789,237	23,614,237
2029-2033	18,435,000	5,172,162	23,607,162
2034-2036	13,175,000	1,269,912	14,444,912
Totals	$ 70,000,000	$ 57,233,225	$ 127,233,225

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Arbitrage provisions of the Internal Revenue Service require the City to rebate excess arbitrage earnings from bond proceeds to the federal government. Bond Counsel to the City is responsible for calculating arbitrage on a timely basis for each of the outstanding issues. As of December 31, 2008, the City had a rebatable arbitrage liability of $529,922, which was payable from the Water enterprise fund.

Authorized Not Issued Revenue Bonds

The City is authorized to issue additional second penny sales tax revenue bonds in an amount up to $3,965,740 million, plus costs of issuance and debt service reserve funds, for the purpose of acquiring land and buildings as part of the City's urban revitalization program. It is anticipated that actual bond proceeds will be drawn on a project by project revolving basis over the next several years. The maximum interest rate is 6% with a maturity of no greater than 21 years.

Notes to Financial Statements

Subsequent Event - Revenue Bonds

The City has adopted an Ordinance, effective as of January 29, 2009, authorizing the issuance of sales tax revenue bonds in an amount not to exceed $38 million plus costs of issuance and debt service reserve funds. The bonds are to finance public improvement costs associated with the City's flood control risk reduction program along the Big Sioux River, Skunk Creek, and the diversion channel. As a portion of the bonds are expected to be repaid with funding from the Federal Corps of Engineers, the exact bond structure is unknown at the time of this report. Net interest costs of the bonds shall not exceed 12 percent and the bonds shall not mature later than 21 years from the date of issue.

Obligations Under Capital Lease

The City has acquired certain land, buildings, and equipment under lease purchase agreements. The leases are treated as capital leases and the present value of the minimum lease payments is included in governmental and business-type debt. The balance includes:

Fund	Description	Original Capitalized Value
Governmental Activities		
Sales and Use Tax	City Hall Annex	$ 1,424,763
Business-type Activities		
Landfill	2 Scrapers	$ 1,528,108
Landfill	1 Dozer	742,898
Fleet	5 Motor Graders	198,818
		$ 2,469,824

Future minimum payments under capital leases consist of the following at December 31, 2008:

Capital Leases			
Governmental Activities			
Year	**Principal**	**Interest**	**Total**
2009	$ 71,966	$ 51,501	$ 123,467
2010	78,320	45,147	123,467
2011	85,234	38,233	123,467
2012	92,759	30,708	123,467
2013	100,948	22,519	123,467
2014	209,860	13,608	223,468
Totals	$ 639,087	$ 201,716	$ 840,803
Business-type Activities			
Year	**Principal**	**Interest**	**Total**
2009	$ 488,012	$ 104,053	$ 592,065
2010	507,920	84,145	592,065
2011	528,679	63,386	592,065
2012	915,311	41,739	957,050
2013	1	-	1
Totals	$ 2,439,923	$ 293,323	$ 2,733,246

Notes Payable

The City has entered into several notes payable with the South Dakota Conservancy District, which have provided funds for construction and maintenance of the storm drainage, water, and water reclamation systems. These funds are drawn as construction progresses. Several notes have balances available that have not been drawn and are so noted on the individual debt table on page 59. A complete amortization schedule will be provided upon completion or partial completion of the draw term. Thus, future debt service cannot be accurately determined until all projects for each note are completed.

The Sales and Use Tax notes will be repaid with revenues from the Sales and Use Tax Fund. The estimated debt service is as follows:

Sales/Use Tax			
Year	**Principal**	**Interest**	**Total**
2009	$ 3,443,069	$ 551,844	$ 3,994,913
2010	3,504,796	490,117	3,994,913
2011	3,567,700	427,212	3,994,912
2012	3,631,807	363,105	3,994,912
2013	3,697,141	297,771	3,994,912
2014	3,763,727	231,186	3,994,913
2015	3,831,589	163,323	3,994,912
2016	3,900,756	94,157	3,994,913
2017	2,568,992	26,285	2,595,277
Totals	$ 31,909,577	$ 2,645,000	$ 34,554,577

The Sales and Use Tax Fund currently has no available and undrawn notes payable from the South Dakota Conservancy District.

The Storm Drainage notes will be repaid with revenues from the Storm Drainage Fund. The estimated debt service is as follows:

Storm Drainage			
Year	**Principal**	**Interest**	**Total**
2009	$ 93,899	$ 19,788	$ 113,687
2010	96,833	16,853	113,686
2011	99,863	13,824	113,687
2012	102,989	10,698	113,687
2013	106,216	7,471	113,687
2014	109,546	4,141	113,687
2015	51,029	1,601	52,630
2016	34,872	437	35,309
Totals	695,247	$ 74,813	$ 770,060
Issues With No Estimate Available	976,468		
Total	$ 1,671,715		

The Storm Drainage Fund has $1,644,532 available and undrawn notes payable from the South Dakota Conservancy District.

Notes to Financial Statements

The Water notes will be repaid with revenues from the Water Fund. The estimated debt service on these issues is as follows:

Water			
Year	Principal	Interest	Total
2009	$ 2,857,018	$ 463,367	$ 3,320,385
2010	2,755,047	362,224	3,117,271
2011	2,227,534	280,393	2,507,927
2012	2,298,180	209,747	2,507,927
2013	2,149,025	139,230	2,288,255
2014	1,667,326	78,518	1,745,844
2015	1,209,813	41,931	1,251,744
2016	921,044	11,537	932,581
Totals	16,084,987	$ 1,586,947	$ 17,671,934
Issues With No Estimate Available	3,470,297		
Total	$ 19,555,284		

The Water Fund has $1,920,234 available and undrawn notes payable from the South Dakota Conservancy District.

The Water Reclamation notes will be repaid with revenues from the Water Reclamation Fund. The estimated debt service is as follows:

Water Reclamation			
Year	Principal	Interest	Total
2009	$ 3,629,735	$ 1,121,561	$ 4,751,296
2010	3,736,904	1,017,928	4,754,832
2011	3,844,537	910,295	4,754,832
2012	3,569,469	802,575	4,372,044
2013	3,241,086	716,704	3,957,790
2014	3,294,964	633,799	3,928,763
2015	2,952,383	556,526	3,508,909
2016	2,888,703	486,220	3,374,923
2017	2,626,735	421,153	3,047,888
2018	2,396,969	358,676	2,755,645
2019-2023	8,192,593	1,201,995	9,394,588
2024-2027	6,306,904	269,306	6,576,210
Totals	46,680,982	$ 8,496,738	$ 55,177,720
Issues With No Estimate Available	2,543,028		
Total	$ 49,224,010		

The Water Reclamation Fund has $12,756,612 available and undrawn notes payable from the South Dakota Conservancy District.

The Landfill notes will be repaid with revenues from the Landfill Fund. The estimated debt service is as follows:

Landfill			
Year	Principal	Interest	Total
2009	$ 327,792	$ 52,049	$ 379,840
2010	336,041	43,797	379,838
2011	344,501	35,338	379,839
2012	353,172	26,666	379,838
2013	362,062	17,776	379,838
2014	371,177	8,662	379,839
2015	76,878	1,205	78,083
Totals	$ 2,171,623	$ 185,493	$ 2,357,116

Subsequent Event - Revenue Notes

On February 9, 2009, the City approved additional revenue notes to be issued to the South Dakota Conservancy District for clean water and drinking water state revolving funds. The purposes of the loans are to make improvements to the water and waste water systems. The terms of the loans are to be ten years at a rate of 2.5 percent. The authorization included $4.3 million for water reclamation and $11.2 million for water.

Bond Anticipation Notes (Special Assessment Bonds)

The City issued Bond Anticipation Notes (BANS) in an amount of $5.5 million for the purpose of providing interim financing of street improvement projects. The BANS carry an initial interest rate of 4.5 percent for a term not to exceed five years. The principal and interest on the BANS is payable solely from the proceeds received from Special Assessment Bonds. The City is obligated to issue Special Assessment Bonds prior to the maturity date of the BANS. The BANS and subsequent Special Assessment Bonds shall be issued pursuant to SDCL 9-25 and 9-43 and shall not constitute indebtedness of the City within the meaning of any constitutional or statutory provision or limitation.

As the BANS do not constitute a legal indebtedness of the City, they are not included as a long-term liability and are recorded within the financial statements as a current fund liability.

Component Unit

The Housing Commission notes will be repaid with revenues from property rentals. The estimated debt service on these issues is as follows:

Housing Commission			
Year	Principal	Interest	Total
2009	$ 30,219	$ 19	$ 30,238
2010	34,308	-	34,308
2011	40,234	-	40,234
2012	40,234	-	40,234
2013	40,234	-	40,234
2014-2018	201,170	-	201,170
2019-2023	201,170	-	201,170
2024-2025	29,262	-	29,262
Totals	$ 616,831	$ 19	$ 616,850

Notes to Financial Statements

Accrued Compensated Absences

City employees are paid for accumulated vacation and sick leave upon retirement. Certain employees are also paid for a portion of excess sick leave on an annual basis. Accumulated vested compensated absences in governmental funds are recorded as a liability in the government-wide statements. Since this liability generally matures upon retirement, future maturities are not calculated.

Legal Debt Limit

The City is subject to Article XIII, Section 4, of the South Dakota Constitution which limits the amount of bonded debt to a percent of the assessed valuation of the taxable property therein for the year preceding that in which said indebtedness is incurred. The categories are as follows:

1. Not to exceed 5 percent for the year preceding the year in which said indebtedness is incurred.
2. An additional indebtedness not to exceed 10 percent for the year preceding the year in which said indebtedness is incurred for the purpose of providing water and sewage, for irrigation, domestic uses, sewerage, and other purposes upon a majority vote in favor thereof of the electors.
3. An additional indebtedness not to exceed 8 percent for the year preceding the year in which said indebtedness is incurred for the purpose of constructing street railways, electric lights, or other electric plants upon a majority vote in favor thereof of the electors.

Accordingly, at December 31, 2008, the City has an available legal debt limit as follows:

2008 Assessed Actual Value Subject to Taxation: $ 9,962,813,234

Category	Legal Debt Limit Percent	Legal Debt Limit Amount	Net Bonded Debt Outstanding	Available Legal Debt Margin
General Purpose 1	5.0%	$ 498,140,662	$ 235,834,871	$ 262,305,791
Special Purpose 2	10.0%	996,281,323	-	996,281,323
Special Purpose 3	8.0%	797,025,059	-	797,025,059
		$ 2,291,447,044	$ 235,834,871	$ 2,055,612,173

I. Operating Leases

The City is a party to several operating leases for equipment, office space, and landfill site. The City has not entered into any operating leases with noncancelable terms as of December 31, 2008. The total rental expense for operating leases for the year ended December 31, 2008, was approximately $4,467,090.

Minimum future rentals do not include contingent rentals, which may be received during the lease period as stipulated in the various lease contracts.

Note 4—Joint Ventures/Related Organizations

The City of Sioux Falls is a party to four joint ventures as described below:

1. The City of Sioux Falls and Minnehaha County jointly provide funding for the **Historical Museum Trust**. The Trust provides for operation of all City- and County-owned museums. Participation in the venture is funded equally. The City contribution to the venture for the year ended December 31, 2008, was $554,927 and is reflected as an expenditure in the General Fund. These activities are also recorded within the General Fund of the County and, accordingly, individual financial statements of the trust are not available. Complete financial statements for Minnehaha County can be obtained at their administrative offices located at 415 North Dakota Avenue in Sioux Falls, South Dakota. There is no debt specifically related to the trust. No future benefit or burden is anticipated other than the annual subsidy.
2. The City of Sioux Falls and Minnehaha County jointly provide funding for the **Siouxland Libraries**. The City received $818,634 from the County for operations during 2008. All activities of the library are recorded in the General Fund.

The City is responsible for all of the board appointments of the **Sioux Falls Regional Airport Authority**; however, the City is not financially accountable for the Authority because the City does not have the ability to impose its will on the Authority, nor does it have a financial relationship that results in either a burden or a benefit to the City.

Notes to Financial Statements

Note 5—Jointly Governed Organizations

The City, in conjunction with 13 other municipalities and five rural water systems within South Dakota, Iowa, and Minnesota that provide drinking water to consumers, is a member of the Lewis and Clark Regional Water System, Inc. (The "System"). The System will collect, treat, and distribute drinking water to the entities involved upon completion. The System is a critical supplemental water supply for the City's continued growth. The System's board of directors is comprised of 19 members, one from each participating entity. Under the articles of incorporation no member has a residual equity interest.

The City entered into an amended agreement with the System to increase the amount of drinking water from 10 million gallons per day to 28 million gallons per day to ensure that future supplemental water supply needs of the City can be met. Pursuant to Exhibit C revised September 25, 2007, of the Amended and Restated Commitment Agreement, it is estimated that the City of Sioux Falls' share of the $529.3 million (July 2007 dollars) System project is currently $84.6 million ($31.5 million for 11.007 million gallons per day of base system capacity and $53.2 million for 17 million gallons of expanded system capacity in July 2007 dollars. The City's investment to date of $30.9 million is recorded in the Water enterprise fund as an intangible asset. Of this total remaining commitment, the City has made a series of prepayment installments equal to $43.781 million (see Note 6). Any remaining cost share above the prepayment amount will be made as part of a true-up upon completion of the project. The City is capitalizing an intangible asset to recognize the upfront payment to the System for the future option to purchase water. Such asset will be amortized over the estimated life-span upon the receipt of benefits from the System.

Note 6—Commitments and Contingencies

A. Commitments

At December 31, 2008, the City has commitments on construction projects totaling $91,863,378 as detailed in Note 3 (G).

The City has also entered into a commitment for base and expanded system costs for the Lewis and Clark Regional Water System as discussed in Note 5. An outstanding commitment of $43.781 million, in 2007 dollars, for base and expanded system costs remains as of December 31, 2008. The actual commitment costs may be higher due to cost indexing, construction over-runs, and decreases in federal funding. Once complete, the City is initially committed to the purchase of 2,751,750 gallons of raw or treated water per day with stipulations. The amended and restated commitment agreement and raw water license agreement are available for further information regarding the City's outstanding commitment to the System.

The Lewis and Clark Regional Water System Board approved the first amendment to the amended and restated commitment agreement on February 22, 2007. This amendment provided for the prepayment of the City of Sioux Falls' allocated project percentage, which will stop project inflation on the City's share of the $64.281 million (2007 dollars) estimated project costs as the prepayment dollars are obligated. The amendment provided that prepayment would be made in three annual installments beginning in 2007. To fund the pre-payment, the City issued sales tax revenue bonds in the amount of $70 million as discussed in Note H. The City has one remaining payment in the amount of $33.531 million, which is due on May 1, 2009.

The Electric Light Fund purchases power from the Western Area Power Association and has a supplemental commitment to meet all remaining power requirements from Heartland Consumers Power District until December 31, 2016.

The City has entered into a contract with the Department of the Army to construct a flood control structure to protect the City from future flooding of the Big Sioux River and Skunk Creek. The total project cost is estimated to be $53,645,800, of which the City is responsible for a minimum of 25 percent, but not to exceed 50 percent. Total costs as of December 31, 2008, are $29,000,000. The City's share is recorded in the Sioux Falls Flood Control Capital Projects Fund. The State of South Dakota has contributed $2,900,000 to help fund this project. Phase I and IIA of the project has been booked to capital assets. The remainder of phase II remains in construction-in-progress.

B. Contingent Liabilities

Litigation

The City is a defendant in various lawsuits. The City's legal counsel estimates that the potential claim against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City. No reserve has been recorded for any such liability arising out of the current pending litigation.

Solid Waste Landfill Closure and Post-closure Care Costs

The City owns and operates a landfill site located west of the city. State and federal laws will require the City to close the landfill once its capacity is reached and to monitor and maintain the site for 30 subsequent years. The City recognizes a portion of the closure and post-closure care costs in each operating period even though actual payments will not occur until the landfill is closed. The amount recognized each year is based on the landfill capacity used as of December 31. The change in the liability for the year ended December 31, 2008, is as follows:

CHANGE IN LIABILITY	Amount
Balance at January 1	$ 5,375,940
Costs incurred in 2008	22,946
Change in liability due to usage and revision of estimates	622,022
Balance at December 31	$ 6,020,908

Notes to Financial Statements

As of December 31, 2008, the City estimates are as follows:

Site	Used to date	Recognized Liability	Remaining Liability	Life (Years)
Solid Waste #1	97.5%	$ 5,769,668	$ 148,183	1.0
Solid Waste #2	2.2%	33,774	1,521,577	32.0
Rubble/Asbestos	24.7%	217,466	661,455	30.0
Totals		$ 6,020,908	$ 2,331,215	

The future estimated liability for these costs will be recognized as the remaining capacity is used. The estimated costs of closure and postclosure care are subject to changes such as the effects of inflation, revision of laws, and other variables.

By local ordinance as well as state and federal laws, the City is required to establish a fund to accumulate assets needed for the actual payment of closure and postclosure care costs. Currently, assets reported as cash and cash equivalents on the combined balance sheet include $5,980,664 held for this purpose.

Note 7—Risk Management

The City's risk management activities are recorded in the City Health/Life Benefit, Insurance Liability, and Workers' Compensation Funds. The purpose of these funds is to administer employee life, health, property and liability, and worker's compensation programs of the City on a cost-reimbursement basis. These funds account for the risk financing activities of the City but do not constitute a transfer of risk from the City.

Significant losses are covered by commercial insurance for all major programs except workers' compensation, for which the City retains the risk of loss. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for this year or the prior two years.

The City of Sioux Falls participates in the South Dakota Public Assurance Alliance (SDPAA) which provides liability coverage to the City. A vested balance in the SDPAA Cumulative Reserve is held in reserve by SDPAA for the City of Sioux Falls and is refundable upon termination or withdrawal in good standing from the Alliance. This balance is recorded as a deposit in the Insurance Liability Fund.

The City has reported approximate aggregate liabilities in the Health/Life Benefit Fund as follows:

	2007	2008
Balance January 1	$ 1,100,000	$ 1,300,000
Claims incurred during the year	10,462,873	9,423,186
Payments on claims during the year	(10,262,873)	(9,423,186)
Balance December 31	$ 1,300,000	$ 1,300,000

The Workers' Compensation Fund has designated cash of $1,964,354 at December 31, 2008, which represents the present value of known claims against the fund.

Unemployment compensation is charged as a current expense/expenditure to the respective funds as incurred.

Component Units

The Housing Commission and Metro Communications Agency manage risk by purchasing insurance from commercial insurance carriers for liability, workers' compensation, and employee health insurance. Paying into the unemployment compensation fund established by state law, and managed by the State of South Dakota, covers unemployment benefits.

Note 8—Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue/Economic Development Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are not general obligations, but are special, limited obligations, of the issuer, payable solely out of the revenues derived from the Agreement and pledged and assigned for their payment in accordance with the indenture. Neither the City, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2008, there were seven series of Industrial Revenue/Economic Development Bonds outstanding, with an aggregate principal amount payable of $47,374,000.

Note 9—Defined Benefit Pension and Other Post-Employment Benefit Plans

A. Defined Benefit Pension Plans

Plan Description

The City of Sioux Falls administers two separate single-employer defined benefit pension plans established to provide retirement, disability, and survivor benefits for substantially all of its employees. The City Employee's Retirement System (CERS) and the City Firefighters' Pension Fund (CFPF) are considered to be part of the City of Sioux Falls' financial reporting entity and are included in the City's financial reports as Pension Trust funds; therefore, they do not issue stand-alone financial reports nor are they included in the report of another entity. Each plan's assets may be used only for the payment of benefits to the members of that plan or for payment of administrative expenses, in accordance with the terms of the plan as established or amended by City ordinance.

The CERS membership includes all uniformed and non-uniformed officers and employees who have certified civil service status and are not members or retirees of the CFPF, all officers and employees who are appointed by the Mayor and/or Council, and the Mayor. The CERS has two divisions, general and police. The police division covers all uniformed non-civilian police officers and the general division includes all members not included in the police

Notes to Financial Statements

division. The CFPF membership includes all non-civilian full-time officers and firefighters of the City.

CERS general member employees are vested upon five years of service. CERS police and CFPF member employees become vested upon 15 years of service. All members of the CERS and CFPF are eligible for an actuarially reduced benefit upon completion of 20 years of service.

Summary of Significant Accounting Policies

Basis of Accounting. The financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles applicable to governmental accounting for pension trust funds. Plan member contributions are recognized in the period in which the contributions are due. City contributions to each plan are recognized when due and when the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments. Investments are reported at fair value to properly reflect the asset values of the fund at December 31, 2008. Fair values were determined based on closing market prices for those securities traded on national and international exchanges. Securities without an established market are reported at estimated fair value. As of December 31, 2008, and the year then ended, the funds held no securities issued by the City or related parties.

Funding Policy & Contributions

CERS general division member employees contribute 3 percent of their gross earnings and police division member employees contribute 8 percent of their gross earnings. CFPF member employees contribute 8 percent of their gross earnings. The employee contribution rates are established by City ordinance. Employer contributions are established by actuarial valuations determined necessary to cover: 1) all administrative costs; 2) the actuarially determined cost of future benefits accruing to members during the year; and 3) an amount sufficient to amortize any unfunded liability of the system over a period of 16 years.

CERS			
	Computed Annual Required Contributions	Actual Contributions	Percentage Contributed
2006	$ 4,717,920	$ 4,928,487	100%
2007	5,160,605	5,373,132	100%
2008	4,907,566	4,889,940	100%

CFPF			
	Computed Annual Required Contributions	Actual Contributions	Percentage Contributed
2006	$ 1,526,731	$ 1,683,121	100%
2007	1,669,043	1,826,253	100%
2008	1,657,685	1,695,167	100%

Funding Status and Funding Progress

The funded status of each plan as of December 31, 2008, the most recent actuarial valuation date, is as follows:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
CERS	$ 241,785	$ 261,167	$ 19,382	92.6%	$ 46,433	41.7%
CFPF	92,122	100,977	8,855	91.2%	10,462	84.6%

Dollar amounts above are in thousands

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Actuarial methods and assumptions are as follows:

Valuation Date	December 31, 2008
Actuarial Cost Method	Entry-Age
Amortization Method	Level percent closed
Remaining Amortization Period	15 years
Asset Valuation Method	5 year smoothed market
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Projected Salary Increases*	4.25% - 8.25%
*Includes Inflation at	4.25%
Cost-of-Living Adjustments	June CPI with 3% cap beginning 36 months after retirement

Membership of the plans consisted of the following at December 31, 2008, the date of the last actuarial valuation:

	CERS	CFPF
Retirees and beneficiaries receiving benefits	436	141
Vested former members not yet receiving benefits	49	4
Active plan members	899	182
Total	1,384	327

B. Post-Employment Health Care Benefits

Plan Description

In addition to providing the pension benefits described above, City ordinance, pursuant to SDCL 6-1-16, provides for other post-employment health care benefits (OPEB) for eligible retired employees through continued participation in the City's single employer self-insured Health/Life Benefit Fund (Plan). The Plan, which includes both active and retired members, is an internal service fund of the City and is included within the scope of this report; therefore, it does not issue a stand-alone financial report nor is it included in the report of another entity. The benefit, benefit levels, and contribution rates are governed by the City.

Notes to Financial Statements

The Plan provides health care benefits for eligible retired employees and beneficiaries up to the age of Medicare eligibility. The benefit levels are the same as those afforded to active employees and include both health and dental coverage. City employees are eligible for post-retirement health care benefits if they are entitled to a retirement allowance and have participated in the Plan at least five years immediately preceding separation from City employment.

The City pension trust collects employer contributions to fund future benefits. Upon retirement, the cost of premiums required to be paid to the Plan are then split equally between the retired employee and the pension trust.

Membership of the plans consisted of the following at December 31, 2008, the date of the last actuarial valuation:

	CERS	CFPF
Retirees and beneficiaries receiving benefits	135	49
Active plan members	899	182
Total	1,034	231

Summary of Significant Accounting Policies

The City follows the same accounting policies in accounting for post-employment retiree health care benefits as for the defined benefit pension plan described above.

Funding Policy & Contributions

The City has historically pre-funded other post-retirement health care benefits on an actuarial basis not in compliance with Governmental Accounting Standards Board (GASB) Statement No. 45 on OPEB. This historical funding was based upon the use of a blended premium rate for calculating active employee and retiree premiums. The 2008 annual actuarial valuation for OPEB as reported in the required supplementary information to this report, as well as the City's contribution rate for future years, are based upon funding OPEB in compliance with GASB Statement No. 45.

	CERS		
	Computed Annual Required Contributions	Actual Contributions	Percentage Contributed
2007	$ 2,501,513	$ 2,523,357	100%
2008	2,816,421	2,820,846	100%

	CFPF		
	Computed Annual Required Contributions	Actual Contributions	Percentage Contributed
2007	$ 867,630	$ 890,208	100%
2008	981,756	990,738	100%

Funding Status and Funding Progress

The funded status of each plan as of December 31, 2008, the most recent actuarial valuation date, is as follows:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
CERS	$ 10,719	$ 32,931	$ 22,212	32.5%	$ 46,433	47.8%
CFPF	3,296	10,707	7,410	30.8%	10,462	70.8%

Dollar amounts above are in thousands

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The information as presented in the required supplementary schedules was determined as part of the annual actuarial valuations using the following actuarial methods and assumptions:

Valuation Date	December 31, 2008
Actuarial Cost Method	Entry-Age
Amortization Method	Level percent closed
Remaining Amortization Period	27 years
Asset Valuation Method	5 year smoothed market
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Medical Inflation Rate	10.0% graded down to 4.25% in 2018

Individual Pension Plan Financial Statements

Individual financial statements for the City's two defined benefit pension plans are presented on the following pages.

Notes to Financial Statements

Component Units

Housing Commission Retirement Plan

All eligible employees of the Housing Commission participate in the Housing Renewal and Local Agency Retirement Plan, a cost sharing, multiple-employer public employee retirement system to provide retirement benefits for employees of local or regional housing authorities and commissions, urban renewal agencies, and other organizations that are eligible to participate in this plan subject to the approval of the agreement. Eligible employees are defined as staff scheduled to work 20 or more hours per week after attaining age 18 and completing one year of continuous and uninterrupted employment. The right to receive retirement benefits is 20 percent vested after one year credited service up to 100 percent vested after five years credited service. Authority for establishing, administering, and amending plan provisions is found in Internal Revenue Code Section 401(a). The Automated Data Processing (ADP) Retirement Services issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ADP Retirement Services, 462 South 4th Avenue, Suite 900, Louisville, KY 40202, or by calling (502) 561-4550. On June 24, 2002, the Housing Commission adopted Resolution No. 268-06-02 effective July 1, 2002, which implemented a mandatory after-tax employee contribution to the plan of 1 percent of basic compensation, and a corresponding employer contribution of 4 percent of basic compensation addition. The resolution permitted employees to voluntarily contribute additional after-tax amounts in excess of the 1 percent mandatory amount, which would be treated as voluntary contributions, and for which the employer would contribute additional corresponding amounts up to a maximum of 7 percent. The Housing Commission also changed the vesting provisions of the plan. Previously, the employer contributed 13 percent of basic compensation to the plan, such that 5.5 percent of those employer contributions were non-forfeitable, and the remaining 7.5 percent were subject to the plan's vesting schedule. Beginning July 1, 2002, the full amount of the employer's contributions will be subject to the plan's vesting schedule of 20 percent for each year of the employee's participation in the plan. During the years ended September 30, 2008, 2007, and 2006, the cost to the Commission was $45,640, $37,140, and $38,698, respectively.

Metro Communications Agency Retirement Plan

All full-time employees participate in the South Dakota Retirement System (SDRS). SDRS is a multiple-employer, cost sharing qualified defined benefit pension plan under section 401(a) of the Internal Revenue Code and is administered by the South Dakota Retirement System Board of Trustees. It was established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions.

The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Members and employers make matching pre-tax contributions, which are defined by state statute. Contributions are deposited in trust fund and invested for the exclusive benefit of members and beneficiaries. Interest is deposited once yearly on June 30th.

As General Member, benefits and administrative expenses are funded by member and employer contributions of 6% each of employee compensation and investment income. State statute also requires the employer to contribute in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for General Employees only.

During the year ended December 31, 2008, the cost to the Agency was $107,190.

Notes to Financial Statements - Fiduciary Funds Statement of Net Assets

	Employee's Retirement	Firefighters' Pension	Total Pension Trust Funds
Assets			
Cash and Cash Equivalents	$ 2,234,128	$ 520,781	$ 2,754,909
Receivables:			
Accounts	205,839	72,536	278,375
Interest	692,512	262,246	954,758
Total Receivables	898,351	334,782	1,233,133
Investments at Fair Value:			
US Government	2,185,036	769,246	2,954,282
Corporate Obligations	25,012,493	10,924,212	35,936,705
Foreign Obligations	7,912,242	2,289,896	10,202,138
State and Local Obligations	414,107	166,595	580,702
Domestic Stocks	33,807,919	12,916,682	46,724,601
Foreign Stocks	3,093,671	1,173,845	4,267,516
Index Funds:			
Equity	29,744,877	11,246,391	40,991,268
Government / Corporate Bonds	25,370,288	9,883,236	35,253,524
Mutual Funds:			
Foreign Equity	32,144,643	11,878,547	44,023,190
Domestic Equity	15,893,343	5,989,070	21,882,413
Real Estate	8,607,992	3,324,087	11,932,079
Total Investments	184,186,611	70,561,807	254,748,418
Total Assets	187,319,090	71,417,370	258,736,460
Liabilities			
Accrued Wages	2,552	1,547	4,099
Total Liabilities	2,552	1,547	4,099
Net Assets			
Held in Trust for Pension and Health Benefits	$ 187,316,538	$ 71,415,823	$ 258,732,361

Notes to Financial Statements - Fiduciary Funds Changes in Net Assets

	Employee's Retirement	Firefighters' Pension	Total Pension Trust Funds
Additions			
Contributions			
Employer	$ 7,710,786	$ 2,685,906	$ 10,396,692
Plan Members	2,065,615	856,843	2,922,458
Total Contributions	9,776,401	3,542,749	13,319,150
Investment Income (Loss)	(71,138,090)	(26,092,662)	(97,230,752)
Less Investment Expense	492,494	209,091	701,585
Net Investment Income (Loss)	(71,630,584)	(26,301,753)	(97,932,337)
Total Additions	(61,854,183)	(22,759,004)	(84,613,187)
Deductions			
Benefit Payments			
Pension	10,005,007	4,440,801	14,445,808
Health Premiums	763,262	329,351	1,092,613
Total Benefit Payments	10,768,269	4,770,152	15,538,421
Refunds	275,474	22,529	298,003
Administrative Expense	173,665	94,707	268,372
Total Deductions	11,217,408	4,887,388	16,104,796
Net Increase (Decrease)	(73,071,591)	(27,646,392)	(100,717,983)
Total Net Assets, January 1	260,388,129	99,062,215	359,450,344
Total Net Assets, December 31	$ 187,316,538	$ 71,415,823	$ 258,732,361

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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City of Sioux Falls
Sioux Falls, South Dakota

Re: $18,255,000 City of Sioux Falls, South Dakota Sales Tax Revenue Bonds, Series 2009B-1

$13,285,000 City of Sioux Falls, South Dakota Taxable Sales Tax Revenue Bonds (Recovery Zone Economic Development Bonds), Series 2009B-2

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Sioux Falls, South Dakota (the "City") in connection with the authorization, sale and issuance by the City of the bonds described above, dated, as originally issued, December 17, 2009 in the aggregate principal amount of $18,255,000 (the Series 2009B-1 Bonds and the Series 2009B-2 Bonds, collectively, the "Series 2009B Bonds"). For the purpose of this opinion, we have examined certified copies of certain proceedings taken and certain certificates and affidavits furnished by the City in the authorization, sale and issuance of the Series 2009B Bonds, including (i) the form of the Series 2009B Bonds, (ii) an ordinance adopted by the City Council on January 5, 2009 and (iii) an Indenture of Trust, as so supplemented (the "Indenture"), dated as of August 15, 1988, as amended and supplemented including a Fifteenth Supplemental Indenture, dated as of December 1, 2009. From our examination of such proceedings, certificates and affidavits, assuming the authenticity thereof, the genuineness of the signatures thereon and the accuracy of the facts stated therein, and on the basis of federal and South Dakota laws, regulations, rulings and decisions enacted, promulgated or rendered and in effect on the date hereof, in our opinion:

1) The Series 2009B Bonds are valid and binding special obligations of the City enforceable in accordance with their terms. The Series 2009B Bonds are not general obligations of the City and the general credit and taxing powers of the City are not pledged to the payment of the principal thereof or interest thereon.

2) The principal of and interest on the Series 2009B Bonds are payable from the collections of certain local sales taxes constituting the Pledged Sales Taxes, as defined in the Indenture, pledged to the payment thereof, and the Series 2009B Bonds, together with any other bonds issued heretofore and any other bonds issued hereafter on a parity therewith (collectively, the "Bonds"), constitute a lien on the Pledged Sales Taxes.

3) In and by the Indenture the City has validly made and entered into covenants and agreements with and for the benefit of the owners from time to time of all Bonds issued thereunder, including covenants that it will credit the Pledged Sales Tax as received to the appropriate funds; that additional bonds and refunding bonds may be issued and made payable from the Bond Fund on a parity with the Bonds upon certain conditions set forth in the Indenture, but no obligation will be otherwise incurred and made payable from the Pledged Sales Tax, unless the lien thereof shall be expressly made subordinate to the lien of the Series 2009B Bonds on the Pledged Sales Tax; and that all provisions for the security of the owners of the Series 2009B Bonds as set forth in the Indenture will be punctually and faithfully performed as therein stipulated.

4) All conditions precedent to the issuance of the Series 2009B Bonds as Additional Bonds under the Indenture have been fulfilled. The exemption from federal income tax of the interest on the Series 1996A Bonds, the Series 1996B Bonds, the Series 1999 Bonds, the Series 2001B Bonds, the Series 2004 Bonds, the Series 2006A Bonds, the Series 2006B Bonds, the Series 2007A Bonds, the Series 2007B Bonds, the Series 2008A Bonds and the Series 2009A Bonds (as defined in the Indenture) will not be affected by the issuance of the Series 2009B Bonds.

5) Interest to be paid on the Series 2009B-1 Bonds is not includable in gross income for federal income tax purposes, but the interest is includable in gross income for South Dakota tax purposes when the owner is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. Interest on the Series 2009B-1 Bonds is not includable in adjusted current earnings in determining alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax imposed on corporations.

6) Interest to be paid on the Series 2009B-2 Bonds is includable in gross income for federal and State of South Dakota income tax purposes.

The opinions expressed in paragraphs 1 through 3 above, are subject to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the exercise of judicial discretion.

The opinions expressed in paragraph 5 above are subject to the condition of the City's compliance with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2009B-1 Bonds in order that interest thereon may be, and continue to be, excluded from gross income for federal income tax purposes, and the Series 2009B-1 Bonds be and continue to be qualified tax-exempt obligations. The City has covenanted to comply with these continuing requirements. Its failure to do so could result in the inclusion of interest on the Series 2009B-1 Bonds in federal gross income retroactive to the date of issuance of the Series 2009B-1 Bonds. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences to holders of the Series 2009B-1 Bonds.

Dated: December __, 2009.

Very truly yours,

The information contained in the following paragraphs of this subsection "Book-Entry Only System" has been extracted from a schedule prepared by The Depository Trust Company entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE." The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The Depository Trust Company, New York, New York will act as securities depository for the Series 2009B Bonds. The Series 2009B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity, specified on the cover page hereof, in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Bonds Exchange Act of 1934. DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over eighty-five countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. Bonds brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

Purchases of the Series 2009B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009B Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements

of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Series 2009B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2009B Bonds, except in the event that use of the book-entry system for the Series 2009B Bonds is discontinued or an entire maturity is transferred.

To facilitate subsequent transfers, all Series 2009B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2009B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2009B Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, redemption premium, if any, and interest payments on the Series 2009B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holding shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, nor its nominee, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of

such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its service as depository with respect to the Series 2009B Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2009B BONDS UNDER THE RESOLUTION; (III) THE SELECTION BY DTC OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2009B BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2009B BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2009B BONDS; OR (VI) ANY OTHER MATTER.

APPENDIX E

SUMMARY OF CONTINUING DISCLOSURE

The following is a brief summary of certain provisions of the Continuing Disclosure Agreement relating to the Series 2009B Bonds and does not purport to be complete or definitive and investors should refer to the Continuing Disclosure Agreement for a complete recital of its terms. A copy of the Continuing Disclosure Agreement is available upon request from the Trustee.

In order to permit the Underwriter and other participating underwriters of the Series 2009B Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (as in effect and interpreted from time to time, the "Rule"), the City will covenant and agree, for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Series 2009B Bonds, in a Continuing Disclosure Agreement, dated as of December 1, 2009, between the City and the Trustee, as agent (the "Continuing Disclosure Agreement"), to provide annual reports of specified information and notice of the occurrence of certain material events as hereinafter described. The City is the only "obligated person" in respect of the Series 2009B Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. The City has not defaulted under a continuing disclosure undertaking it has entered into under the Rule.

As used herein, "Owner" or "Series 2009B Bondowner" means, in respect of a Series 2009B Bond, the registered owner or owners thereof appearing in the bond register maintained by the Trustee or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee. As used herein, "Beneficial Owner" means, in respect of a Series 2009B Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series 2009B Bond (including persons or entities holding Series 2009B Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series 2009B Bond for federal income tax purposes.

As used herein, a "Material Fact" is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Series 2009B Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed under the Continuing Disclosure Agreement or information generally available to the public. Notwithstanding the foregoing, a "Material Fact" is also an event that would be deemed "material" for purposes of the purchase, holding or sale of a Series 2009B Bonds within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

Information To Be Provided

Annual Information

The City has agreed that on or before 180 days after the end of each fiscal year commencing with the fiscal year ending December 31, 2009, it will deliver to the Trustee certain financial information and operating data relating to the City for the preceding fiscal year of the City as hereinafter specified (the "Disclosure Information"), accompanied by a City certificate

stating in effect that such information is the Disclosure Information required to be submitted under the Continuing Disclosure Agreement.

The Disclosure Information comprises the following (subject to modification as described below):

(1) A complete audit report and opinion of an Accountant and the statements of financial position of the City for such fiscal year, containing a balance sheet as of the end of such fiscal year and a statement of changes in net assets and statement of cash flows for the fiscal year then ended, and showing in comparative form such figures for the preceding fiscal year of the City, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board applicable to entities such as the City as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City noting the discrepancies therefrom and the effect thereof.

(2) To the extent not included in the financial statements referred to in paragraph (1) hereof, the information of the type identified below, which information may be unaudited, but shall be certified as to accuracy and completeness in all material respects by the chief financial officer of the City to the best of his or her knowledge, which certification may be based on the reliability of information obtained from governmental or other third party sources:

The following financial information and operating data as of the beginning or end of the most recent complete academic or fiscal year, as appropriate:

a. The matters covered by the Sections of Appendix A to this Official Statement entitled:

Demographics
City Services
Construction
Major Employers
Financial Information
Future Financing
City Obligations

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City will agree to provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City is to provide the audited financial statements.

Any or all of the Disclosure Information may be incorporated by reference, if updated as required by the Continuing Disclosure Agreement, from other documents, including official statements, which have been submitted to each then nationally recognized municipal securities information repository under the Rule provided that, from and after July 1, 2009, the

Electronic Municipal Market Access System ("EMMA") operated by the MSRB as a National Repository shall be the primary repository for continuing disclosure under the Rule (collectively, the "National Repositories") to the SEC. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board (the "MSRB"). The City will agree to clearly identify in the Disclosure Information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the School determines that certain specified data regarding such replacement operations would be a Material Fact, then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or the Continuing Disclosure Agreement is amended in accordance with its terms, then the City is to include in the next Disclosure Information to be delivered, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

Certain Events

The City is also to provide to the Trustee timely notice of any of the following events or conditions which is a Material Fact (as used herein, the "Material Events"):

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions or events affecting the tax-exempt status of the security;

(7) Modifications to rights of security holders;

(8) Bond calls;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the securities; and

(11) Rating changes.

The City notes that, since on the date of issue there is no credit enhancement securing the Series 2009B Bonds, the events listed in clauses (4) and (5) may not be applicable.

The City also agrees to notify the Trustee promptly of any change in the fiscal year and of any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared (the "Other Events").

Disclosure of Information

The Trustee is authorized and directed to make available to the entities identified below the following information in a timely manner by telecopy, overnight delivery, mail or other means, as appropriate:

(a) the Disclosure Information to each of the National Repositories; provided, however, that any filing with a Repository under the Continuing Disclosure Agreement may be made solely by transmitting such filing to the MSRB in an electronic format prescribed by the MSRB;

(b) any Material Event reported to the Trustee by the City in the form provided by the City, to the MSRB and to the State Depository, if any;

(c) the failure of the City to provide the Disclosure Information required to be provided to the Trustee under the Continuing Disclosure Agreement, within 180 days after the fiscal year, to the MSRB and to the State Depository, if any;

(d) any amendment of or supplement to the Continuing Disclosure Agreement entered into in accordance with the provisions thereof, together with a copy of such amendment or supplement and any explanation thereof provided by the City pursuant to the Continuing Disclosure Agreement, to the MSRB and to the State Depository, if any;

(e) the termination of the obligations of the City under the Continuing Disclosure Agreement in respect of the Series 2009B Bonds, to the MSRB and to the State Depository, if any; and

(f) any Other Event reported by the City to the Trustee, to the MSRB and the State Depository, if any.

At the written request of the City, the Trustee is also to furnish promptly to the Repositories a copy of any other information provided by the City for such dissemination.

Disclosure to Bondowners

Nothing in the Continuing Disclosure Agreement is intended to limit the ability of the Trustee to communicate with the Bondowners in such manner and at such times as it shall deem appropriate in executing the trusts under the Indenture. The Trustee is not required to

forward any such communication to the Repositories, unless and only to the extent it is specifically described under "Disclosure of Information" above.

Term

The Continuing Disclosure Agreement is to remain in effect so long as any Series 2009B Bonds are Outstanding. The Continuing Disclosure Agreement is to terminate, however, as of any date on which the City delivers to the Trustee an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with this Agreement will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

Costs, Expenses and Indemnification of Trustee

The City will agree to pay reasonable compensation of the Trustee for, and all costs and expenses of the Trustee incurred in, performing the services required of it under the Continuing Disclosure Agreement, whether as agent for the City or otherwise. The Trustee shall have the right to use and apply trust money, to the extent provided in the Indenture, for such compensation.

The City will further agree to indemnify and hold harmless the Trustee and its officers, directors and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including reasonable attorneys' fees and expenses) which such indemnified party may incur by reason of or in connection with the Trustee's disclosure of information pursuant to the Continuing Disclosure Agreement unless caused by the willful misconduct or negligence of the Trustee in such disclosure of information.

Defaults, Remedies

Failure of the City or the Trustee to comply with any provisions of the Continuing Disclosure Agreement on its part to be observed constitutes a default thereunder and any party thereto aggrieved thereby, including the Owners of any Outstanding Series 2009B Bonds as third-party beneficiaries thereof, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained herein. Direct, indirect, consequential and punitive damages, however, shall not be recoverable by any Person for any default thereunder and are waived to the extent permitted by law. In no event shall a default under the Continuing Disclosure Agreement constitute a default or an Event of Default under the Series 2009B Bonds or the Indenture.

In addition to the foregoing remedies, in the event the City breaches its covenant to provide the Disclosure Information to the Trustee by the dates prescribed therefor, and such breach continues until the date 270 days after the end of the fiscal year as to which such disclosure is to be made, then the Trustee is to make available promptly to the Repositories notice of such failure.

Binding Effect

The Continuing Disclosure Agreement is to inure to the benefit of and be binding upon the City and the Trustee and their respective successors and permitted assigns (including any permitted successor to the City under the Indenture); provided, however, that in the event another Person succeeds to the obligations and agreements of the City under the Continuing Disclosure Agreement, the Disclosure Information may be modified to the extent permitted as described under "Amendments; Interpretation."

Amendments; Interpretation

The Continuing Disclosure Agreement (and the form and requirements of the Disclosure Information) may be amended or supplemented from time to time, without notice to or the consent of the Owners of any Series 2009B Bonds in a writing executed by the City and the Trustee (and the consent of the Trustee to such an amendment is not to be unreasonably withheld or delayed) accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of business conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) the Continuing Disclosure Agreement as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Series 2009B Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule. The Continuing Disclosure Agreement is to be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.